Beating the odds
in equine practice

How healthy is
your goodwill?

Publishing a practice
newsletter that pays off

NOVEMBER 1990

veterinary economics

THE MAGAZINE OF PRACTICE MANAGEMENT AND FINANCE

HOW MUCH SHOULD I SPEND ON. . .?

Doctors
al
s
ng
on
Staff
Equipment
Rent
Consultants

************** FIRM 20814
220814E11007 DEC90 0319
STATISTICAL REFER INDEX
#800
4520 EAST-WEST HWY
BETHESDA MD 20814 **

Plus

A NATIONWIDE SURVEY OF EXPENSES

CONTENTS

VETERINARY ECONOMICS
NOVEMBER 1990

39 PRACTICE MANAGEMENT

Do you know how to delegate?

Are you juggling more than you can handle—even when you try to delegate tasks to others? These tips on *effective* delegation can ease your load and help your staff as well.

46 HOSPITAL DESIGN

A construction nightmare turns into a dream come true

Dr. Nancy Ruff didn't bargain for the banker reluctance and contractor woes she encountered, but she overcame the obstacles and built a client-pleasing, award-winning hospital.

28 COVER STORY

How much should I spend on. . .? Nationwide survey report on expenses

Is there a precise formula for determining what your expenses should be? These consultants say yes—and no. There are guidelines, but the answer depends more on what you're willing to *make* than on what you have to spend.

50 IMAGE BUILDER

How to publish a practice newsletter that pays off

Done right, a newsletter can help build client loyalty and attract newcomers at the same time. Here, consultants provide nuts-and-bolts answers to commonly asked questions about this marketing tool.

58 EQUINE MANAGEMENT

Beating the odds in equine practice

Strong management programs and the willingness to make difficult business decisions keep these equine practitioners in the game—despite the current hard times in the horse industry.

67 PRACTICE FINANCES

How healthy is your practice's goodwill?

The value of your practice is likely to slip if you ignore goodwill. Here's how to maintain this critical but often misunderstood practice asset.

Picture credits: page 74

DEPARTMENTS

2 Memo from the Publisher
7 Forecasts
8 Success File
12 Letters to the Editor
16 Practice Management Q&A
20 Money Management Q&A
72 New for You
75 Classified

8 Noteworthy
A report on collection procedures, the Dog Museum, and a telephone-etiquette tip.

22 Marketing
Visual marketing can help you sell your services and meet your patients' needs.

49 Design Notes
Contributing editor Dr. David Lane offers tips on finding a good contractor.

80 Bull's Eye
With an "abundance mentality," Dr. Marty Becker says the veterinary pie will grow.

MEMO FROM THE PUBLISHER

News flash! CVC to stay in Kansas City

I am borrowing the Memo column this month to tell you about—and invite you to—next year's Central Veterinary Conference (CVC) in Kansas City, Mo. Many of you already know about the CVC. In its first two gatherings, the conference attracted a total of more than 2,000 veterinarians to a no-nonsense, practical, scientific program and the best practice management curriculum outside of this magazine.

Promotional material will be in the mail in early 1991, but I would like you to take a minute now to consider making the CVC *the* major conference you attend next year. Why? Because the CVC—like this magazine and its sister publication, VETERINARY MEDICINE—is designed to meet your needs as a dedicated, busy, practicing veterinarian.

If you have any doubt that we put your needs first, consider this: The CVC was scheduled to be held in another city next year. Arrangements had been made, contracts were ready to sign, planning was underway—until we heard from you. "Keep it in Kansas City," you said. So we will. New plans have been made; a larger facility has been secured, and we're currently booking the best speakers available for a top-flight scientific and managerial program.

As a Kansas City area-based company, we know the city and are proud of its fine amenities, hospitality, and unsung sophistication. The city is accessible and affordable, as is the downtown site selected for next year's conference. I think you'll find that the Central Veterinary Conference offers camaraderie and continuing education in an amiable but professional environment.

As you pencil in your 1991 meeting schedule, consider spending August 24-27 in Kansas City. More information is on the way, but if you have any questions, give us a call.

Dennis M. McLaughlin

Dennis M. McLaughlin

veterinary economics

Editor: Rebecca R. Turner
Managing Editor: Catherine C. Lumetta
Associate Editor: Kathleen A. Cyr
Design Director: Gregory B. Kindred
Art Director: Alison J. Fulton
Assistant Art Director: Mark E. Eisler
Editorial Intern: Kirsten Schroeder
Practice Management Editor: Ross Clark, DVM
Contributing Financial Editors: Owen McCafferty, CPA, William J. Roll, CPA
Consulting Editor: Tracy L. Revoir, DVM
Special Assignments Editor: Rebecca Gants
Editorial Assistant: Ruth Espy
Contributing Editors and Advisers: Ross Ainslie, DVM, Halifax, Nova Scotia; Alan F. Berger, DVM, Utica, Mich.; Jenks S. Britt, DVM, Russellville, Ky.; Daniel D. Chape., AIA, Little Rock, Ark.; Warren Freedenfeld, AIA, Boston, Mass.; David P. Gallagher, Trumansburg, N.Y.; Glenn F. Hoffsis, DVM, Columbus, Ohio; Jack Kaine, MBA, Kansas City, Mo.; Harry James, DVM, Pond Creek, Okla.; Eleanor M. Kellon, VMD, Terre Hill, Pa.; David Lane, DVM, Carbondale, Ill.; Dawn G. Lennon, Coopersburg, Pa.; Herbert C. Lloyd, DVM, Arcadia, Fla.; David P. Madden, JD, Lenexa, Kan.; Marvin E. Rydberg, DVM, Lake Geneva, Wis; Peter Reardon, DVM, Phoenix, Ariz.; J.H Rosenberger, DVM, Richmond Heights, Ohio; Sam E. Strahm, DVM, Pawhuska, Okla.; Milton L. Willen, DVM, Palm Desert, Calif.; James F. Wilson, DVM, JD, Yardley, Pa.; Thomas D. Young, DVM, Toledo, Ohio

Senior Vice President
Market Development: Dale Schuler
National Sales Manager: Doug Catt
Eastern Account Manager: Jed Bean
Western Account Manager: Tracy Holmes
Inside Sales/Ad Production: Sue Weller
Advertising Assistants: Rosa Lee Metzler, Becky Lindblom

Circulation Director: Joan Roof
Circulation Manager: Rachel Lopez
Circulation Coordinator: Helen McGraw
Circulation Assistants: Bette Lilley, Sandy Hall

VMPCI
Vice President/General Manager: Dennis M. McLaughlin
Controller/Business Manager: Cary Seem

Editorial and sales office:
9073 Lenexa Drive
Lenexa, KS 66215
(913) 492-4300

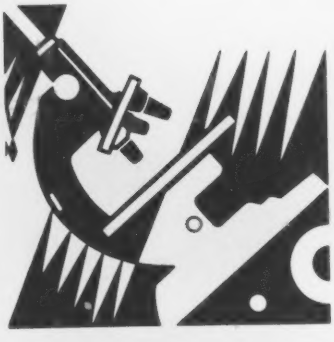
BPA ABP

VETERINARY ECONOMICS (ISSN0042-4862) is published monthly by Veterinary Medicine Publishing Co., 9073 Lenexa Drive, Lenexa, KS 66215. Telephone (913) 492-4300.

Copyright © 1990 by Veterinary Medicine Publishing Co. All rights reserved. None of the content of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means (electronic, mechanical, photocopying, recording, or otherwise) without the prior written permission of the publisher.

Printed in U.S.A. Price $6.00 a copy. $30 a year (U.S.A.). $45 a year (Canada and Mexico). $65 a year (foreign). Address correspondence to Veterinary Economics, 9073 Lenexa Drive, Lenexa, KS 66215. Second-class postage paid at Shawnee Mission, Kan. and additional entry offices. Postmaster: Send change of address notice to Veterinary Economics, 9073 Lenexa Drive, Lenexa, KS 66215.

A Medical Economics Publication



NATIONWIDE SURVEY REPORT

HOW MUCH SHOULD I SPEND ON...?

Is there a precise formula for determining what your expenses should be? These consultants say yes—and no. There are guidelines, but the answer depends more on what you're willing to *make* than on what you have to spend.

By John Lofflin

You know only too well what your practice expenses look like. Your accountant undoubtedly showed them to you on your last financial statement. They probably look quite a bit like your net income—only larger. Much larger, in fact.

The question is, just how large should they be? If they're too large, should you cut them—or make more money to cover them? And what if they're too small? Could you make more money if you spent more?

The consultants interviewed for this article say that the expense levels in your practice ultimately depend on you and your practice philosophy. They also say that seizing control of your expenses is fundamental to controlling your practice. They note, however, that having control is *not* the same as going on a strict diet. In most cases, expense control involves analysis and understanding—not scrimping and slashing.

When asked for advice on expenses, each consultant mentioned five basic principles:

1. It's important to create a budget. You can approach expenses more effectively by planning how to *spend* your income rather than by analyzing how you *spent* it.
2. You should monitor your expenses at least quarterly, if not monthly.
3. Consistency is the secret to building an analysis system that works effectively.
4. Your approach to expense analysis should match the reality and uniqueness of your practice.
5. Your expenses reflect both the current state of your hospital and your practice philosophy. They can be a valuable tool in guiding and shaping your veterinary practice.

Planning ahead

Columbus, Ohio, practice consultant Cynthia R. Wutchiett says that many practitioners begin the planning process by analyzing last year's expenses. "You can evaluate

THE AUTHOR, a contributor to THE NEW YORK TIMES, teaches journalism at Park College, in Parkville, Mo.

whether or not you like the results," she says. "And if you don't, you ask yourself what changes you can make in your practice to get your expenses where you want them to be next year.

"I prefer to deal with expenses before the money has been spent, usually the first of the year. You can at least make preliminary decisions about spending at that time. I think the best idea is to establish a budget for all your expense categories early. It's particularly important to budget before the heartworm season begins, when you'll be too busy to give your finances enough attention."

Wutchiett, a CPA, has counseled veterinarians in the United States and Canada for 10 years. Experience tells her that the preliminary budget doesn't have to be overly detailed. She suggests

1990
SURVEY RESULTS

INDIVIDUAL EXPENSES

1989 expenses are based on *individual* share of tax-deductible practice expenses.

	All DVMs	Small animal	Mixed animal	Large animal	Equine
Salaries, bonuses, retirement for non-DVM assistants	$34,500	$45,500	$25,800	$16,800	$19,100
Salaries, bonuses, retirement for employed DVMs	$19,100	$22,500	$16,100	$15,400	$12,400
Office or hospital, mortgage or rent	$17,500	$23,400	$12,000	$8,300	$12,200
Drugs and medical supplies*	$45,600	$42,700	$49,100	$47,200	$47,300
Travel and continuing education	$1,529	$1,688	$1,210	$1,533	$2,125
New medical equipment and repairs	$4,023	$4,409	$3,602	$3,025	$4,817
Practice management consultants	$454	$638	$266	$303	$169

Base: Owner veterinarians
All figures are 1989 means (averages).

*Figures exclude retail products.
Source: VETERINARY ECONOMICS' 1990 financial survey

establishing broad ranges in each expense category, then fine-tuning your practice to fit those ranges—or, if necessary, fine-tuning the ranges to fit the actual situation in your practice.

Contributing editor, David P. Gallagher, who teaches practice management at Cornell University, argues for starting with a more finely tuned budget document. He says a practitioner should be able to create a financial model of the practice at the outset, then use the model to determine precise levels for expenses and income. "If you do retrospective analysis, you end up simply reacting to what happened," he says. "There's no question it's possible to model a practice based on the outcomes you want to see."

Monitoring your progress

"To reach your goals, you have to monitor your budget closely," says Gallagher, also a managing partner of Veterinary Management Consultants, Trumansburg, N.Y. "I have clients whose practices I monitor throughout the year. They send me the information, and I analyze how close it is to the planned targets for each month. Then they make adjustments."

Gallagher says that monitoring expenses reinforces the decision to take financial control of your practice. But, he warns, "when you get through a crisis, it's human nature to put the problem aside and go right back to what you were doing before."

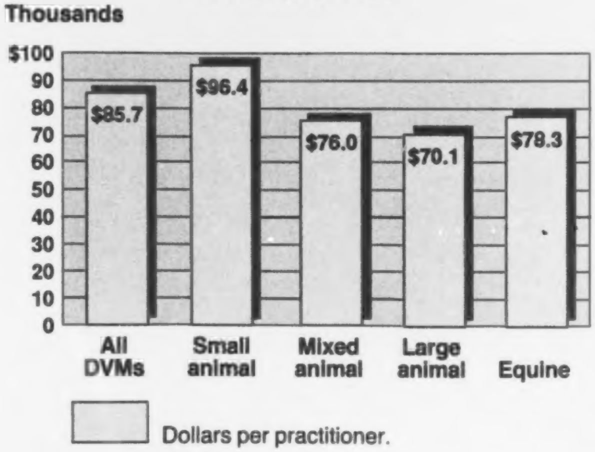
Thomas E. Catanzaro, DVM, hospital services director for the American Animal Hospital Association (AAHA), also argues for better monitoring of both expenses and income. If a practice that keeps its accounting data in a cigar box "simply adds another cigar box and marks one 'inpatient' and the other 'outpatient,' that's a starting point," he says.

Dr. Catanzaro, who holds a master's degree in health-care administration from Baylor University, developed the AAHA Management Assistance Program, which provides practitioners with tools to measure their financial performance. He teaches a system for tracking practice finances that he's honed to a dozen dots a month on sheets of graph paper. "You connect the lines each month and see which way the lines go," he says with a chuckle. "If they head the wrong direction, you begin to ask some questions. It's a tool to help veterinarians stop looking at just the tips of icebergs."

Dr. Catanzaro says that some computer programs provide practitioners with too much data and too little information. "There are programs that produce a print-out of computer paper that's four inches thick each month, but its best use is to line the bottoms of cages," he says. "Often, there's not

1990
SURVEY RESULTS

TOTAL INDIVIDUAL 1989 EXPENSES
BY PRACTICE TYPE



All figures are 1989 means (averages).
Base: Owner veterinarians
Source: VETERINARY ECONOMICS' 1990 financial survey

a shortage of data. The trick is to connect the data to usable information each month."

Establishing consistency

Dr. Catanzaro says that consistency in analysis is an important management tool, particularly where expenses and income are concerned. "It's obvious that if you're going to compare trends, you need consistency, or the comparison is meaningless," he says. To help create and maintain expense consistency, AAHA offers a "chart of accounts" for veterinary practices. Dr. Catanzaro says that the chart is becoming the industry standard—which will ultimately allow for regional comparisons.

The chart, Dr. Catanzaro explains, synchronizes income to expenses. Radiology income, for instance, is recorded under account 5380; radiology costs under 6380. The ability to compare these two numbers allows a doctor to convert data to useful information.

"I recently counseled a veterinarian who had a CPA tracking his practice's radiology expenses monthly, but nobody was tracking radiology income," Dr. Catanzaro says. "Knowing radiology expenses told the practitioner nothing." With the chart of accounts, he adds, a doctor can see his or her practice in terms of profit centers, rather than as areas of unrelated income and expenses.

Gallagher avidly supports the chart of accounts. "If enough practices use it, it will provide a national data base," he says. "That would be a tremendous resource for practitioners." For more information about the chart of accounts, contact AAHA at (800) 252-2242 or (303) 279-2500.

Remaining flexible

The AAHA chart of accounts, however, is not the only method consultants use to track practice expenses. When Wutchiett analyzes a practice, she places expenses in three broad categories: direct expenses, indirect expenses, and payroll. "That allows you to group expenses so that you are looking at similar items, which is important in understanding a practice," she says.

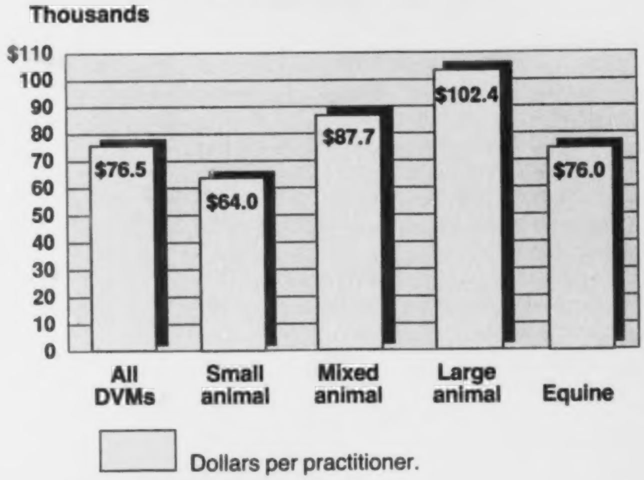
Direct expenses, she explains, are expenses that change based on client volume—drug costs, for example. Indirect expenses are not dependent on volume—*i.e.*, utility costs and insurance fees. Payroll expenses include salary, wages, benefits, and so on.

Wutchiett says that direct expenses in a small animal practice, excluding food for retail, shouldn't exceed 18 percent of gross income. She places drugs and medical supplies at about 14 percent. Indirect

1990
SURVEY RESULTS

TOTAL PRACTICE EXPENDITURES: DRUGS/MEDICAL SUPPLIES*

BY PRACTICE TYPE



*Excludes nonprescription retail products.
All figures are 1989 means (averages).
Base: Full-time practitioners
Source: VETERINARY ECONOMICS' 1990 financial survey

expenses, she says, should range from 12 to 14 percent, and payroll expenses should be about 18 percent, depending on how the practice is organized. Over-the-counter food costs, she says, can range as high as 10 percent in some practices.

Dr. Catanzaro reports slightly different ratios, all based on the chart of accounts. He places drugs and medical supplies from 9 to 20 percent, with a 16-percent average. "If yours are more than 20 percent, the problem is probably poor management," he says. "If they're less than 9 percent, it's poor accounting."

Dr. Catanzaro also says that nonprofessional staff costs should range from 14 to 24 percent and average 18 percent. He notes, however, that the actual percentage in any given practice will vary by practice philosophy and region. For example, practices in the southeast region, where he says salaries are low, probably will be lower in this category. Practices that use veterinary technicians effectively average at the high end of the range.

Office supplies, Dr. Catanzaro says, should range from 1.1 to 2.3 percent of gross, and computer supplies from 0.8 to 1.4 percent. If you average more than 4 percent in those two areas combined, you may be spending too much, he says. Occupancy expense ranges from 6 to 11 percent with 9 percent as the average; facility maintenance ranges from 0.9 to 3.5 percent, averaging 1.3 percent.

Lab fees range from 0.8 to 4.5

SPEND MORE, MAKE MORE

By Alan Bush, DVM

Veterinarians tend to spend more time focusing on expenses than they do looking for new sources of income. Nevertheless, the reality is that there is *always more income to be made*. Of course, you may have to spend time and energy looking for and developing new resources, but I believe that veterinarians lose more by income never made than by foolish spending.

In our business development program, we teach that hospital productivity may suffer if certain expenses are too low. For example, let's say the owner of a small animal practice keeps his lay-staff payroll at 9 to 12 percent of gross production. Most likely, this veterinarian is doing alone the work of at least two people—the doctor and the technician.

It's not uncommon to find a one-person practice that is running as a two-person operation—but really needs a third staff member to function efficiently. Instead of providing quality and service and developing new sources of income, such doctors are trying to do everything—and usually failing. Their practices look inefficient to clients who perceive that the doctors don't know what they're doing. It costs to give clients quality and service, but that is what good clients want.

Underspending is also a detriment to postage expense. When this expense falls below 0.25 percent of gross, recalls and internal promotions usually are being shortchanged. Cutting back on postage is false economy, because the lifeblood of most practices is routine preventive care. If you raise client response by only 5 percent, you will cover—and far exceed—the entire expense of sending additional recall materials.

An expense area that shouldn't fall below 1 percent is laboratory workups. Clients expect—at the minimum—that we will use the tools at our disposal. In some cases, doctors are aware that their clients want better-quality workups, but they are so harried that they don't do the lab work. But if you are "too busy" to do good workups, you lose patients and clients.

The simple truth is that it costs to give quality. Service takes a lot of time, effort, energy, and expense. If you don't provide it, clients have lots of other choices.

The author owns Modular Management Systems, a practice management consulting firm in Big Pine Key, Fla.

1990

SURVEY RESULTS

MEASURING INCOME vs. EXPENSES

1989 practice gross income	Individual expenses
\$50,000—\$89,000	\$26,600
\$90,000—\$149,000	\$57,800
\$150,000—\$199,000	\$80,800
\$200,000 or more	\$109,200

All figures are 1989 means (averages). Base: Owner veterinarians
Source: VETERINARY ECONOMICS' 1990 financial survey

percent, although "there's another important element to look at here," Dr. Catanzaro says. "Income from lab fees ranges from 2 to 11 percent. If the expense is 4.5 percent but the income is 11 percent, it's a pretty good deal. It isn't if the expense is 4.5 percent and the income is 2 percent."

Shaping your practice

"Most practitioners don't believe they can invent the future to conform to their own vision," Gallagher says. "It's really a psychological problem. You have to break through that thinking—then it's a piece of cake."

Dr. Catanzaro phrases it differently: "Practitioners do not sincerely believe in their own real worth." When veterinarians analyze their expenses, he says, they tend to be more concerned with cutting back than with using what they know about expenses to increase income. "Practitioners tend to really manage expenses. They'll get in there and really manage postage expense. But if you get postage expense down really low, that only means you probably have a terrible reminder program. They're not looking at income levels at the same time."

Don Dooley, a Los Gatos, Calif., practice management consultant, is even less impressed by expenses as a management yardstick. "I've seen practitioners who tried to hit those ideal ratios and almost destroyed their practices in the process," he says. "The problem is that most accountants assume practitioners are charging all they can for their services. I come from the sales field, and my theory is that there's plenty of potential yet in the marketplace.

"When most practitioners see their profits are too low, they cut expenses. It's a natural thing. But the problem may not be expenses at all. I tell my clients, 'Don't even look at expenses. Expenses are seldom the problem.' "

What is the problem? Dooley contends that practitioners are reluctant to pass their expenses along to clients. They view expense ratios, he says, as a reflection of excess spending rather than as an indication they ought to charge more for their services.

"Expenses really reflect the way a practitioner feels about veterinary medicine," he says. "The amount of expenses often reflects what kind of medicine the veterinarian wants to practice. You see it in staff costs and supplies. Quality, in general, costs more to provide. People who try to shave staff costs too low run the risk of interfering with quality."

Dooley and Dr. Catanzaro advocate that practitioners take a new look at their expenses. If staff costs are 18 percent of gross income, they point out, you can lower the ratio by cutting salaries or eliminating people. Or, you can lower the ratio by *increasing gross income.* "If I offer you a choice—18 percent of $100 or 18 percent of $1,000—which would you take?" Dr. Catanzaro asks.

Dooley says that excessive expenses in the drug and supply category may indicate some waste, but it still may not be cost-effective to monitor inventory more closely. High costs, he says, may indicate that you're giving away too many services.

Gallagher encourages practitioners to develop a budgeting process that begins with determining the operating expenses necessary to maintain the quality level desired for the practice. "If you then add a reasonable return on your time and capital investment, and a reasonable profit, you'll know what your gross revenues should be," he says.

Dr. Catanzaro adds that you also can increase your income by adding such services as dental prophys. "It's sometimes easier to get a client to come back with his dog three times this year when he only came back twice last year than it is to raise fees," he says.

David Lane, a Carbondale, Ill., practitioner and VETERINARY ECONOMICS contributing editor, agrees that additional services are excellent income boosters. Any equipment expense involved in a new service, he says, usually pays for itself in several months. To make the initial purchase, however, Dr. Lane argues against going into debt or leasing. Instead, he suggests building a capital fund into any budget you create.

"My position is that you're better off trying to generate the money in the practice than borrowing it," he says. "It's a pay-as-you-go philosophy. Trouble is, most practices don't think like that. They're cash-poor all the time." Dr. Lane says that 1 to 3 percent of gross income should be reinvested in the practice annually, a line item that's not likely to show up on your expense sheet—but should. ■

HOW MUCH SHOULD YOU SPEND ON A CONSULTANT?

Your colleagues report spending, on average, $454 a year for practice management consultation. The experts say you can spend more—but not more than $4,000 a year.

"It probably depends on how you use a consultant," Don Dooley explains. He says he agrees with veterinary financial consultant Owen McCafferty, CPA, who says that, as a rule, an administrator should receive about 5 percent of gross revenue, a bookkeeper and office manager 3 percent, and a consultant who makes one or two visits a year not more than 1 percent.

Dr. David Lane says consultant fees should range from $3,000 to $4,000 for an average practice, and that the service should include follow-up conversations. Why? Because "you have to reinforce the practice to make it produce," he says. "A consultant has to coach a practice's staff out of their bad habits."

David Gallagher says that a $3,600 to $4,000 range is appropriate for consulting fees—which should translate into $50,000 in additional annual gross income "over the long run."

William J. Roll, a CPA and contributing financial editor to VETERINARY ECONOMICS, says, "You have to justify any costs you incur. The question is, what is the benefit? It depends on the scale of the practice, but less than 1 percent is a good guideline. Between about 0.6 percent and 1 percent is safe." Dr. Thomas Catanzaro agrees, pointing out that the average expense for consultation is about 1 percent of gross income.

BEATING THE ODDS IN EQUINE PRACTICE

Strong management programs and the willingness to make difficult decisions keep these equine practitioners in the game—despite hard times in the horse industry.

By Rebecca Gants SPECIAL ASSIGNMENTS EDITOR

During the past five years, changes in technology and technique have enhanced the services offered by equine practitioners. At the same time, this veterinary sector has felt the effects of a depressed horse industry. But equine veterinarians who have focused on improved management strategies have stayed ahead of the game.

"The boom days in the equine business are gone," says Dr. Walter W. Zent, partner in an 18-doctor practice in Lexington, Ky. "Limited partnerships are no longer in vogue, and foreign buyers have pushed most Americans out of the top 10 percent of the thoroughbred market. When the American dollar is down, the yen and pound have clout, and more horses flow overseas. Few American trainers even attend the premier Lexington sale in July because they can't compete with the Arab buyers."

"There are fewer thoroughbred mares, and the standardbred business is way down. Fewer tax breaks mean owners are spending their own money, and they are much less willing to funnel dollars into health care," he adds.

Victims of circumstance

The 1963 Cornell graduate joined the 115-year-old Hagyard, Davidson & McGee in 1966. An accountant serves as business manager, but major decisions are made by the 12 partners. The medical staff includes two surgeons, two board certified internists, and three recent graduates. The other doctors focus on reproductive and preventive medicine.

"We do a fair amount of work with racehorses, but our bread and butter remains the brood mares," Dr. Zent says. "Until two years ago, the practice was growing by 10 percent every year."

In the west, overbuilding and a downturn in the oil business depressed the economy of the Rockies' eastern slope, says Dr. Charles D. Vail, who practices at a Littleton, Colo., seven-doctor equine clinic. Patients include hunters and jumpers, plus polo, backyard, and rodeo horses. Track work was phased out during the '70s, he says, when purses began shrinking. "The economic downturn caught us unaware," says the 1960 Colorado State graduate. "We became very presumptive operating a practice that had seen growth every year for 40 years."

Playing by new rules

By strengthening management tactics, these practices are showing a modest recovery (see "Surviving Equine Practice" on page 62). The doctors say that improved client communication makes a major difference in practice, especially in the area of estimating charges. (The VETERINARY ECONOMICS 1990 financial survey shows that equine veterinarians handle an average of 95.5 client visits per week.)

"We are as sensitive to marketing techniques as the small animal doctors because horses have become companion animals," Dr. Vail says. "We now place strong emphasis on routine health maintenance, geriatrics, and orthopedics. Until the 1960s, if you owned a horse, you knew how to handle the animal. Now, hobbyists need more guidance and support."

Dr. Vail provides his clients

THE AUTHOR, a business and financial writer, has covered the veterinary profession for 16 years.

with post-surgery handouts, information on caring for pregnant mares, occasional newsletters, nutritional counseling, and shoeing prescriptions. The practice now offers grief counseling as well. Dr. Vail notes that as the emotional value of horses increases, so does his role as a doctor. "Euthanasia of a horse requires sensitivity, especially regarding disposal," he says. "It's not easy —whether the client is a 13-year- old girl who babysits to pay the veterinary and feed bills, or an 82- year-old rancher."

Client communication is also critical when horses are a business investment. "Owners and farm managers rely on the veterinarian's judgment for an objective medical and financial prognosis," Dr. Zent says. "In the past, neonatal foals were saved at whatever cost. Now, the decision to send a premature foal to the medical clinic is weighed against the chances of obtaining an economically sound animal. Owners used to worry less about $12,000 to $15,000 bills in these cases. Now they are unwilling to spend the money without the potential to recoup these costs."

Dr. Zent's practice depends on a strong brood-mare business. The doctors offer 24-hour full service every day. Brood-mare veterinarians visit their own clients every day during the foaling season, which means 14-hour weekdays, plus weekend hours. The medical and surgical teams alternate evening hours; half of their cases are referrals from DVMs not associated with their practice. The veterinarians also advise breeding farms worldwide.

A STATISTICAL PROFILE OF EQUINE DOCTORS

1989 gross practice income	$327,900
1989 individual net income[1]	$53,200
1990 total average client transaction fee[2]	$61.50
1990 office call fee	$23.70
Total 1989 practice costs for drugs and medical supplies	$76,000
Average number of hours worked per week	60.3
Percentage of practices with a computer	61%

[1] Net income is computed after tax-deductible expenses but before income taxes, and includes only take-home compensation, not profits reinvested in practice.
[2] Includes clinical procedures, drugs, and merchandised products.

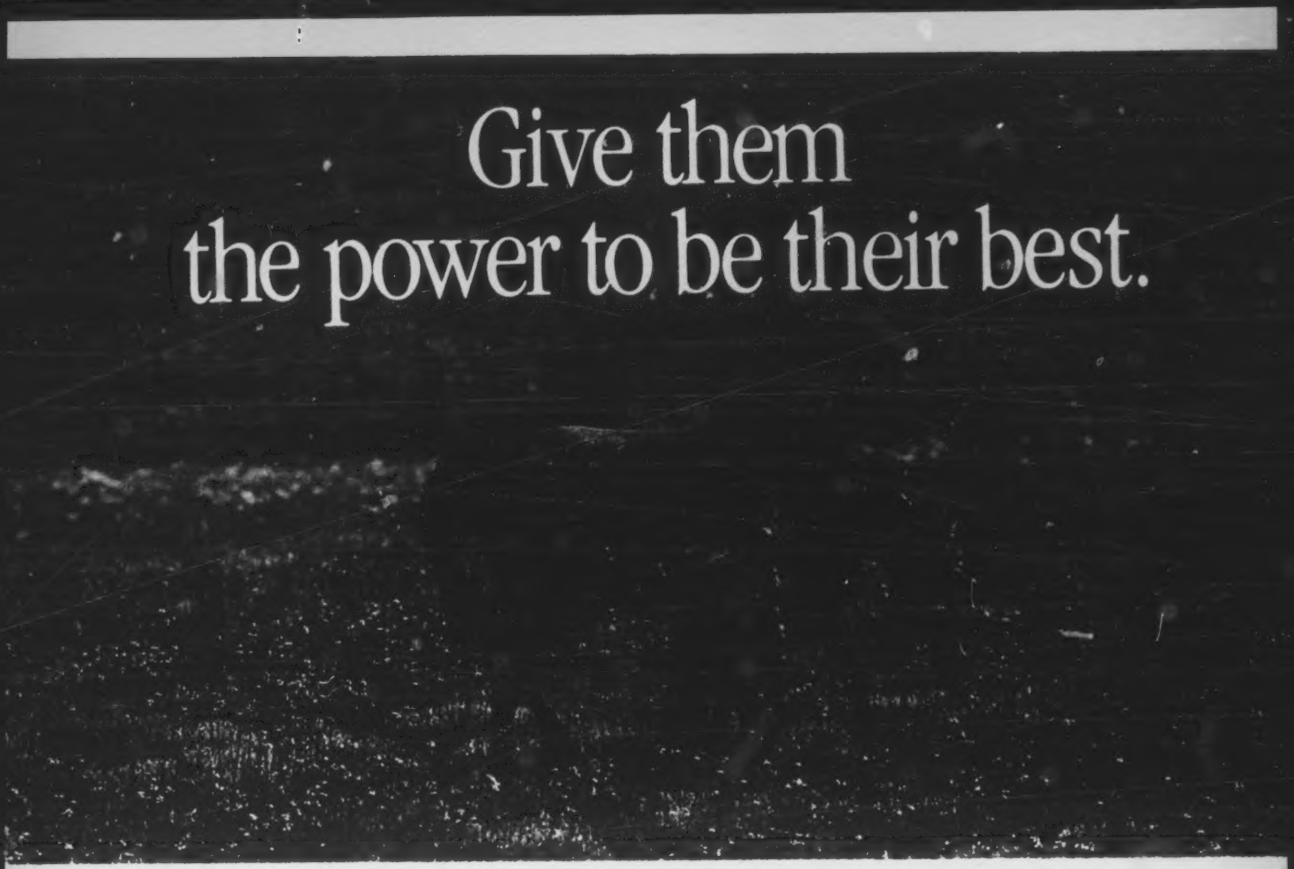
Source: VETERINARY ECONOMICS' 1990 financial survey.
All figures are means (averages).

The Lexington area boasts 70 equine veterinarians. To gain a competitive edge, Dr. Zent says, "We try to hire the best veterinarians to provide the best possible service. We speak at local meetings and try to be good citizens in the community."

Adjusting the numbers

To boost income in the face of a decreasing horse population, equine practitioners have increased their fees—in some cases, grudgingly. In Dr. Zent's case, a palpation costs $14, up from the $12 he charged for the last six years. He considers the increase a major one, especially in light of clients who own as many as 250 mares.

In Littleton, Dr. Vail competes with mobile veterinary units, public stables, and do-it-yourself owners. Increasing gas prices for the seven $50,000 practice vehicles also creates a dilemma. "Up to 65 percent of our work is outpatient, so a 25-cent-per-gallon gas increase affects fees," he says. "The last time a gas crisis occurred, we sent clients a letter admitting we didn't know where fees would need to be adjusted. Al-



though we couldn't control gas prices, we did offer assistance by geographically scheduling elective procedures on a neighborhood basis to hold down clients' costs. To encourage owners to transport their horses to the clinic, we also promised that the office fee wouldn't change. By sharing the problem, our clients were much more cooperative with fee increases."

Dr. Vail and his partners find they can compete head-to-head through good marketing skills, including volume purchasing. "We furnish a recall system and a significant discount for cash purchases," Dr. Vail explains. "By selling drugs only to clients, we maintain a relationship even with owners who vaccinate their own animals."

Dr. Vail reports that fees for surgery with general anesthesia are up 20 to 25 percent. Three years ago, a colic without complications averaged $1,200, he says; now the cost ranges from $2,500 to $3,000. What's more, client transactions have increased 15 to 20 percent during the past three years due to fee increases and the introduction of sophisticated equipment. Dr. Vail notes that clients benefit from earlier and more accurate diagnoses.

Just in case

A perpetual dilemma for the equine practitioner is malpractice coverage. In September, 3,200 yearlings sold in Lexington—some for more than $500,000 each. Caring for such expensive thoroughbreds necessitates $6 million worth of malpractice insurance coverage for each of the 18 doctors in Dr. Zent's practice, at a cost of $4,200 each.

> "Unfortunately, some clients confuse bad results with malpractice."

For Dr. Vail, insurance has increased in the last decade from $170 per $1 million of coverage per doctor to $1,500 per $1 million. "We have been fortunate with claims, but threats of claims have increased," he says. "Our society believes that if something goes wrong, someone pays. Unfortunately, some clients confuse bad results with malpractice." To ward off claims, Dr. Vail and his partners instruct new associates to do the following:

1. Make clear explanations to clients.
2. Stay in touch with clients and relay possible complications to

Field Guide to

Colic Management
In the Horse

The Practitioner's Reference

Brad J. Gordon, DVM, MS
Douglas Allen, Jr., DVM, MS, Dipl. ACVS

As you well know, equine colic is the number one natural killer of horses. A misdiagnosis could mean a dead patient within 12 to 24 hours. So when you're called out by a frantic owner to examine a horse in agony, you face a serious challenge.

Field Guide to Colic Management In the Horse will aid you in the diagnosis and management of equine colic. This complete reference provides practitioners with a thorough discussion of the equine abdomen and its susceptibility to the diseases of colic. The information is practical, concise, well organized, and illustrated with charts, graphs, photographs, and drawings.

Allow 4 to 6 weeks for delivery.

Please send ________ copies of
Field Guide to
Colic Management
In the Horse
@$59.95 each to:

Veterinary Medicine Publishing Co.
9073 Lenexa Drive
Lenexa, Kansas 66215

Name ____________________
Address ____________________
City ____________________
State ____________ Zip ____________

- Postage and handling is $3 for one book and $1 for each additional book.
- Kansas residents add 5.85% sales tax.

☐ Payment Enclosed
☐ Visa ☐ MasterCard
Card No. ____________________
Exp. Date ____________________

them immediately.

3. Let the client know what a procedure involves, including after-care.

4. Provide fee estimates.

5. Handle referrals from other veterinarians professionally.

6. Be sensitive to clients.

Curbing credit

These days, Dr. Vail pays careful attention to credit and collections. "We learned our lesson from the large breeders when the economy collapsed five years ago," he laments. "A few uncollected accounts averaged $10,000 to

SURVIVING EQUINE PRACTICE

Five years ago, Littleton Large Animal Clinic in Littleton, Colo., employed nine veterinarians. Cutting the associates back to seven is just one of the tough management decisions Dr. Charles Vail made in conjunction with his two partners.

"The dynamics of equine practice make it difficult to spot trends," Dr. Vail says. "The decrease wasn't in clientele but in numbers of horses. Owners were refusing elective procedures while we were offering increasingly sophisticated services. Rather than treating horses with chronic lameness, owners would turn the animals out to pasture."

Dr. Vail says that regaining balance required six management decisions:

- releasing two associates and reducing the lay staff
- raising insurance deductibles
- tightening inventory control
- reducing perquisite benefits for the doctors
- slowing the salary schedule
- extending the life of practice vehicles and equipment.

"We do more maintenance and repair ourselves now," Dr. Vail says. "Our newest mobile unit, in a fleet of seven, has 122,000 miles on it. A few years ago we were spending up to 12 percent of gross for new equipment; now we're in a defensive position." In fact, the senior partners have joined the night rotation to compensate for the staff reduction.

Dr. Vail reports that the renewed emphasis on service, cutting expenses, and raising fees is finally paying off. Although the doctors "were concerned, but not alarmed," the second quarter of 1990 brought the first hint of growth in three years. "Our next step is specialization in cardiology and neurology," Dr. Vail says. "The plan is to gain referrals by providing the general-hospital concept to equine owners."

The power of prevention.

Strongid® C

The first continuous dewormer for horses.
Only from Pfizer.

Pfizer Animal Health

Strongid C is a Pfizer Inc trademark for pyrantel tartrate.

pfizer

© Copyright 1990 Pfizer Inc

Circle No. 117 on Reader Response Card

$12,000." Although the equine practitioners are unable to establish a cash-only business, credit is limited to $5,000 for large breeders. New clients must pay cash; smaller operations have $150 to $250 credit ceilings. The doctors encourage cash payments for drugs and merchandise, and collections are monitored at 30, 60, and 90 days.

Dr. Zent finds that billing farms rather than clients can complicate collections. "Money an owner sends directly to the farm to pay the veterinarian is sometimes diverted to the hayman, because he's sitting in the drive and won't unload without payment. The veterinarian will come back the next day.

"But billing up to 25 owners for a single farm also is difficult. Often you have little control when the owners are in Texas or New York. In the case of new farm owners who exist on credit, collection becomes difficult when the horses have been sold or abandoned, and a $30,000 veterinary bill is still sitting on the desk."

Equine practitioner Kathy Jones of Woodland, Calif., says she's never used a collection agency. The 1979 University of California-Davis alumna practices solo within a 90-mile radius of Davis. "If a client gets behind in payment, I immediately put him or her on a payment plan and further services are rendered on a cash basis," she explains.

"The largest outstanding account I have is $900, so I gave the client a job. She's working off the balance by typing and filing for the practice." Dr. Jones requires a hefty deposit from university referrals, and she makes sure the client has paid the university before accepting a patient.

Filling a need

In practice full-time since 1988, Dr. Jones offers reproductive services, including frozen semen and embryo transfer, in an area "dense with veterinarians and under the nose of the university." Dr. Jones also offers her clients an alternate source of long-term care for horses.

Even when owners can afford surgery at the university clinic, she says, the $20-per-day boarding fee often makes total charges prohibitive. Now the university refers postop colic cases, orthopedic cases requiring casts, and intensive-care patients to Dr. Jones for follow-up. Her fee: $6 to $15 per day for boarding and care. Horses transported by Dr. Jones average a six- to eight-week stay; boarders have ranged from five days to 13 months.

Dr. Jones works out of her home and leases a 100-year-old barn with 28 "antique" stalls and an earthen floor. She convinced a breeder that she needed an incubator, autoclave, microscopes, water bath, and other instruments on-site. Now she has access to expensive equipment with no investment, although she reimburses the owner a nominal fee when the equipment is used for other clients.

An ultrasound machine is her most expensive purchase to date. Minor surgeries, castrations, wound care, entropions, and other services that can be done using xylazine and ketamine are routine. "Competing with the university's technicians, anesthesia service, and surgery suites would be silly," she says. "Owners in this neighborhood have been trained by the university to make use of their sophisticated procedures."

Dr. Jones also "recycles" horses for additional income and medical experience. She's found that investing time and money in horses with personality problems, lameness, or other illnesses sometimes produces a functional horse that can be sold at a profit—but that's not always the case. "This is like gambling in Las Vegas—sometimes you can fix a horse, sometimes you can't," she says. "But treating problem horses, as well as oddball cases referred from the university, has repaid me a hundredfold in knowledge."

Dr. Jones estimates that 30 percent of her income comes from recycling horses and from the freelance medical illustrations she creates for the university and other practitioners during the slower months of the year. This job utilizes her bachelor's degree in studio art.

Dr. Jones employs a staff of two and says she is quickly approaching the decision to hire an associate. For now, she trusts such colleagues as Dr. Kim Gill-Favier of Dixon, Calif., to handle emergencies when she's too busy with reproductive work.

Dr. Jones reviews fees annually. If clients complain about her fees, she reminds them that her practice is not funded by the state and that she can't buy supplies in bulk. As a result, she needs to charge a call fee, unlike the university clinic. Gross income, she says, is up 11 percent, despite the recent loss of a $20,000 client who had requested lower fees. Dr. Jones decided not to oblige, she says, because full-paying clients are out there.

"Trainers want the latest in accessory drugs to enhance their horses' performances, backyard hobbyists want preventive health services, and breeders want mares to foal successfully," Dr. Jones concludes. "The patients are there." ■

VetTest
8008

EAST 800-645-3674
NY STATE ONLY 1-800-632-2275
(Except 516, 212)
LOCAL 516-536-5404
900 ORLANDO AVE.
WEST HEMPSTEAD, N.Y. 11552
Connecticut, Delaware, Maine, Maryland, Mass., New Hampshire. N.J., N.Y., Penn., Rhode Island, Vermont, Virginia, West Virginia.

SOUTH 800-423-8947
GA. ONLY 800-222-3207
LOCAL 404-441-0826
2725 NORTHWOODS PKWY. Suite B
NORCROSS, GEORGIA 30071
Alabama, Georgia, Mississippi, North Carolina, South Carolina, Tennessee.

FLORIDA 1-800-423-8947
3450 PARK CENTRAL BLVD. N.
POMPANO BEACH, FLORIDA 33065

SOUTHWEST 800-527-7421
Arkansas, Kansas, Louisiana, New Mexico, Oklahoma
TEXAS 800-442-9611
LOCAL 214-620-9941
2019 McKENZIE Suite 109
CARROLTON, TX. 75006

MIDWEST 1-800-323-1889
ILLINOIS ONLY 1-800-942-0485
LOCAL 708-729-8630
3400 W. LAKE AVE.
GLENVIEW, ILLINOIS 60025
Iowa, Illinois, Indiana, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, South Dakota, Wisconsin

OHIO DISTRIBUTION CENTER
10401C SHELDON RD.
MIDDLEBURG HGTS.,
OHIO 44130 1-800-362-5900

WEST 800-227-0658
CALIFORNIA ONLY 800-772-3986
LOCAL 415-357-0117
2285 POLVOROSA Suite 310
SAN LEANDRO, CA. 94577

WEST 800-423-3753
CALIFORNIA ONLY 800-372-6492
LOCAL 213-728-6095
6100 CORVETTE ST.
COMMERCE, CA. 90040
California, Nevada, Arizona, Colorado

WEST 800-426-1750
WASHINGTON ONLY 800-562-1627
LOCAL 206-254-8620
3801 N.E. 109th Ave., Suite H
VANCOUVER, WA. 98682/95061
Oregon, Washington, Idaho, Montana

WEST 800-635-0313
5504 EAST 48th Ave.
DENVER, CO. 80216
Colorado, Utah, Idaho, Wyoming
COLORADO ONLY 800-826-3254
LOCAL 303-333-5601

CONTACT YOUR BURNS SALES REPRESENTATIVE
OR CALL THE DISTRIBUTION CENTER NEAREST YOU!

Available Exclusively Through
BURNS Veterinary Supply

Circle No. 106 on Reader Response Card

Why "How to keep a humane society hospital out of your community" should never have been written, page 38

DECEMBER 1990

veterinary economics

THE MAGAZINE OF PRACTICE MANAGEMENT AND FINANCE

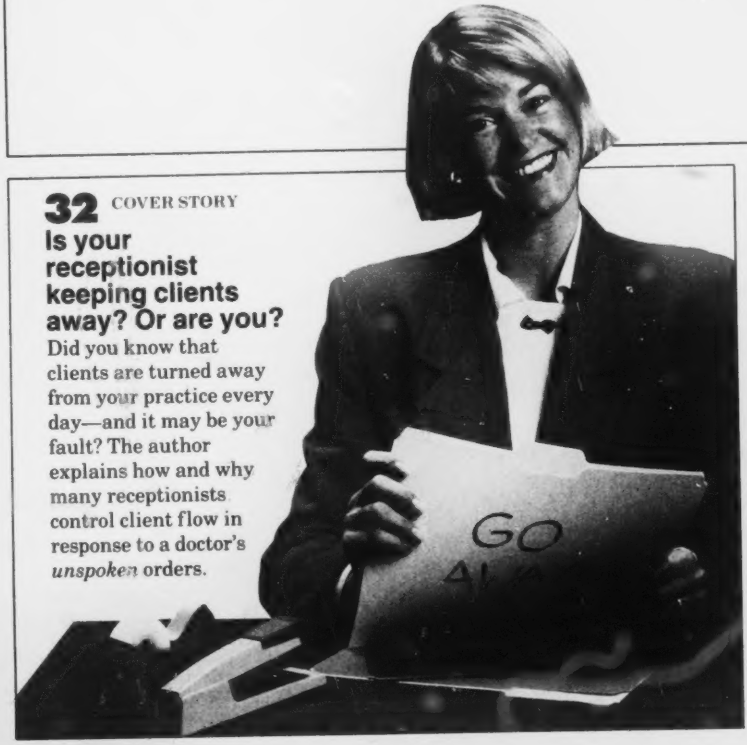
IS YOUR RECEPTIONIST KEEPING CLIENTS OUT OF YOUR PRACTICE?

OR ARE YOU?

****************** FIRM 20814
220M14E11007 DEC90 0305
STATISTICAL REFER INDEX **
#600
4520 EAST-WEST HWY
BETHESDA MD 20814

CONTENTS

VETERINARY ECONOMICS
DECEMBER 1990



32 COVER STORY

Is your receptionist keeping clients away? Or are you?

Did you know that clients are turned away from your practice every day—and it may be your fault? The author explains how and why many receptionists control client flow in response to a doctor's *unspoken* orders.

38 SPECIAL REPORT

Why "How to keep a humane society hospital out of your community" should never have been written

Dr. Robinson's description of the problem is right on target. It's his solution that worries this author.

46 EQUIPMENT

Computer usage climbs past the halfway mark

From 28 percent in 1987 to nearly 57 percent today, computer ownership among veterinarians is clearly on the rise. Here's a statistical look at who owns computers and how they put them to use.

52 HOSPITAL DESIGN

Expanding to meet community needs

Dr. Michael McDonald "saw the handwriting on the wall" when his market area turned from rural to resort. His expanded, award-winning facility serves new needs and fits comfortably into its environment.

57 IMAGE BUILDER

Know your rights in a media interview

As interest in animal-related topics increases, the media may seek your comments on a variety of issues. Prepare now—before the interviews begin—by knowing your rights and obligations.

62 PRACTICE MANAGEMENT

The business of being a relief veterinarian

Are you ready to take on the full responsibilities of self-employment? Before you do, consider these suggestions for making a relief practice a profitable, well-organized endeavor.

Picture credits: page 70

DEPARTMENTS

4 Memo from the Editor
9 Forecasts
10 Noteworthy/Success File
14 Letters to the Editor
18 Practice Management Q&A
22 Money Management Q&A
56 Design Notes
70 New for You
72 Classified
77 1990 Articles Index

24 Marketing
Leave your excuses behind, and make the winter months a "grow" time, not a slow time.

30 Personnel
Let your top employees know that their efforts are noticed and appreciated.

68 Investment Ideas
Take a look at what Section 412(i) of the Internal Revenue code has to offer.

80 Bull's Eye
Dr. R.E. Whitford shares his own experience with—and remedy for—burnout.

MEMO FROM THE EDITOR

The bond is real

Sam is my mom's cat, and he's at least 1,000 years old. She's had him forever, and he long ago secured his spot as her favorite kid. My brother, sister, and I don't worry too much about which one of us mom likes best, because we know the answer is Sam. Don't get me wrong, Sam actually makes a pretty good sibling. He's not bad company—if you're willing to crawl under the lamp shade with him. (It's warm under there, you know.)

Sam yowls at 4 o'clock every morning, and he doesn't stop until he figures out that mom is where she is every morning at 4 o'clock: sound asleep in bed. I guess he sleepwalks and loses his way, because at 4:15 or so, he's back—quietly asleep at her side. Even my dad has come to accept Sam's early morning pronouncements. He even does a pretty good imitation.

All of this is to say that Sam is a VIP. (And that's "P" for "person," not "pet." I don't think anyone has ever told him he's a cat.) Sam's status makes his veterinarians VIPs, too, because at 1,000-plus and counting, Sam needs to be careful about his health.

I'd hate to see Sam's chart at the Prairie Village Animal Hospital. I'm sure it covers pages and pages, including the time he took a flying but none-too-graceful leap from the bannister when I was in high school. Sam and my mom make the trip to the hospital regularly now, because Sam seems no better able to stay out of harm's way as an old man than he did as a kid. To prompt his latest visit, he fell out of a tree.

When mom and Sam go in for some new emergency, they *both* sit on the exam table. The doctors don't seem to mind, and I'm afraid mom would change doctors if they did. They all know Sam, and they know that he's a VIP.

My point in telling this story is this: The human-animal bond we all hear so much about is real. So is my mom's need for you to believe in that bond and practice accordingly. I don't think she's an unusual pet owner, and I know that she trusts and relies on Sam's doctors. We all do.

Becky Turner

Rebecca R. Turner

veterinary economics

Editor: Rebecca R. Turner
Managing Editor: Catherine C. Lumetta
Associate Editor: Kathleen A. Cyr
Design Director: Gregory B. Kindred
Art Director: Alison J. Fulton
Assistant Art Director: Mark E. Eisler
Editorial Intern: Kirsten Schroeder
Practice Management Editor: Ross Clark, DVM
Contributing Financial Editors: Owen McCafferty, CPA, William J. Roll, CPA
Consulting Editor: Tracy L. Revoir, DVM
Special Assignments Editor: Rebecca Gants
Editorial Assistant: Ruth Espy
Contributing Editors and Advisers: Ross Ainslie, DVM, Halifax, Nova Scotia; Alan F. Berger, DVM, Utica, Mich.; Jenks S. Britt, DVM, Russellville, Ky.; Daniel D. Chapel, AIA, Little Rock, Ark.; Warren Freedenfeld, AIA, Boston, Mass.; David P. Gallagher, Trumansburg, N.Y.; Glenn F. Hoffsis, DVM, Columbus, Ohio; Jack Kaine, MBA, Kansas City, Mo.; Harry James, DVM, Pond Creek, Okla.; Eleanor M. Kellon, VMD, Terre Hill, Pa.; David Lane, DVM, Carbondale, Ill.; Dawn G. Lennon, Coopersburg, Pa.; Herbert C. Lloyd, DVM, Arcadia, Fla.; David P. Madden, JD, Lenexa, Kan.; Marvin E. Rydberg, DVM, Lake Geneva, Wis; Peter Reardon, DVM, Phoenix, Ariz.; J.H Rosenberger, DVM, Richmond Heights, Ohio; Sam E. Strahm, DVM, Pawhuska, Okla.; Milton L. Willen, DVM, Palm Desert, Calif.; James F. Wilson, DVM, JD, Yardley, Pa.; Thomas D. Young, DVM, Toledo, Ohio

Senior Vice President Market Development: Dale Schuler
National Sales Manager: Doug Catt
Eastern Account Manager: Jed Bean
Western Account Manager: Tracy Holmes
Inside Sales/Ad Production: Sue Weller
Advertising Assistants: Rosa Lee Metzler, Becky Lindblom

Circulation Director: Joan Roof
Circulation Manager: Rachel Lopez
Circulation Coordinator: Helen McGraw
Circulation Assistants: Bette Lilley, Sandy Hall

VMPCI
Vice President/General Manager: Dennis M. McLaughlin
Controller/Business Manager: Cary Seem
Editorial and sales office:
9073 Lenexa Drive
Lenexa, KS 66215
(913) 492-4300
BPA ABP

VETERINARY ECONOMICS (ISSN0042-4862) is published monthly by Veterinary Medicine Publishing Co., 9073 Lenexa Drive. Lenexa. KS 66215. Telephone (913) 492-4300

Copyright © 1990 by Veterinary Medicine Publishing Co. All rights reserved. None of the content of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means (electronic, mechanical, photocopying, recording, or otherwise) without the prior written permission of the publisher.

Printed in U.S.A. Price $6.00 a copy. $30 a year (U.S.A.). $45 a year (Canada and Mexico). $65 a year (foreign). Address correspondence to Veterinary Economics, 9073 Lenexa Drive, Lenexa, KS 66215. Second-class postage paid at Shawnee Mission, Kan. and additional entry offices. Postmaster: Send change of address notice to Veterinary Economics, 9073 Lenexa Drive, Lenexa, KS 66215.

A Medical Economics Publication

NET COMPARISONS

Use the chart below to determine how your net income compares to that of your colleagues.

Individual net income	Percent of DVMs
$125,000 or more	3.4%
100,000 - 124,999	4.8
80,000 - 99,999	9.4
70,000 - 79,999	6.6
60,000 - 69,999	7.4
50,000 - 59,999	9.4
40,000 - 49,999	12.8
30,000 - 39,999	17.2
20,000 - 29,999	19.8
15,000 - 19,999	3.7
Less than $15,000	5.5

Base: Full-time practicing veterinarians
Source: VETERINARY ECONOMICS' 1990 financial survey

atorium does not achieve its goal of zero growth—defined as the point at which PHS is killing only animals that are physically unable to survive—a program for mandatory spaying and neutering will be instituted.

The ordinance includes these provisions:

- During 1991, PHS will undertake an informational campaign to promote voluntary compliance with the moratorium.
- Violators will be given the option of paying a specified fine or providing proof that female animals were spayed within 90 days, and male animals neutered within 30 days. If the violator is unable to pay for the operation, PHS will provide the service, free.

According to supporter Nedim C. Buyukmihci, VMD, of the University of California at Davis, "One of the greatest tragedies in veterinary medicine is that, in effect, we kill a large percentage of our patients because nobody wants them. It is immoral to continue bringing dogs and cats into this world when we are killing as many as 10 million a year."

At press time, the San Mateo County Board of Supervisors announced a public meeting to hear testimony on the breeding moratorium ordinance. VETERINARY ECONOMICS will report on the results as they become available. For more on the pet overpopulation problem, see page 38.

NUTRITION PROGRAM LAUNCHED

How do you and your clients know if a certain pet food is providing complete and balanced nutrition? Look on the label, says the Pet Food Institute's board of directors, who recently voted unanimously to undertake a voluntary Nutrition Assurance Program based on the latest research and testing methods.

The self-regulated program will use animal feeding and digestibility tests and other accepted laboratory standards to assure you and the pet-owning public of the complete and balanced nutrition in pet foods. The test results will be placed on labels to help consumers make informed purchasing decisions.

Participating companies will submit affidavits certifying that their products have been tested by approved methods, and that the nutritional value is consistent with label claims. Products will be grouped in categories, and products in each category will be retested regularly.

An educational campaign—in coordination with the AVMA and AAHA—will promote the program and provide veterinarians and consumers with new information on nutrition.

TELEPHONE TIP

The impression your receptionist makes during the first six seconds of a phone conversation is crucial to your practice.

Remind her—and anyone else who answers the phone—not to allow a previous negative conversation to interfere with a new caller.

Nancy J. Friedman, The Telephone "Doctor," recommends that if you are in a bad mood for any reason, take a deep breath and regain your composure *before* you pick up the phone. ■

COMPUTER USAGE CLIMBS PAST THE HALFWAY MARK

From 28 percent in 1987 to nearly 57 percent today, computer ownership among veterinarians is clearly on the rise. Here's a statistical look at who owns computers and how they put them to use.

By Kirsten Schroeder EDITORIAL INTERN

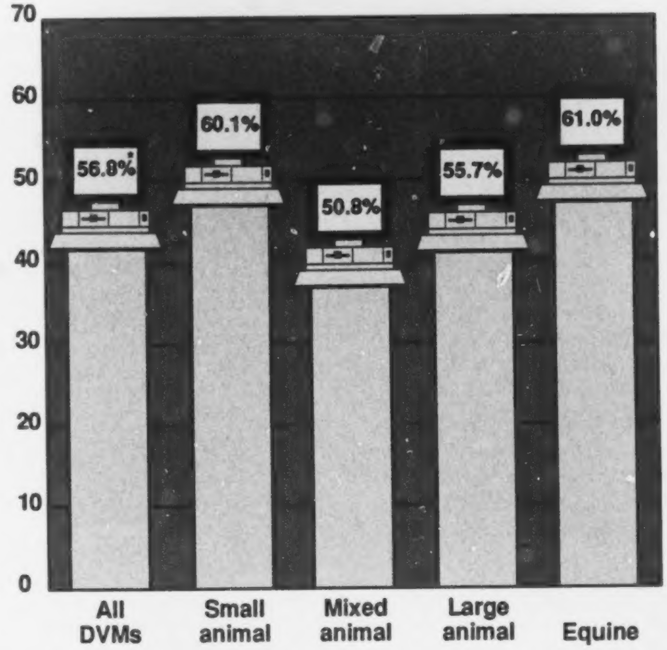
The latest VETERINARY ECONOMICS financial survey shows that more than 50 percent of veterinarians have computers in their practices—56.8 percent to be exact. The numbers are highest among equine practitioners, 61 percent of whom report having a computer.

The survey also shows that many young veterinarians jump right into computerized practices after graduating. Of doctors who've been in practice for less than two years, nearly 70 percent practice in computerized hospitals. Compare that to veterinarians who've been practicing for 21 years or more: Less than 45 percent of these doctors use computers in their practices.

Making the most of it

As you'll see in the chart on page 48, computers are used primarily for their reminder-recall functions and for billing. Dr. Charles Cohen says that this finding is an indication that many veterinarians aren't fully utilizing the power they have with their computer systems. "Veterinary management software is but one ingredi-

EQUINE DOCTORS LEAD THE WAY IN COMPUTER OWNERSHIP



* Percentage of veterinarians who have computers in their practices.
Base: Full-time practicing veterinarians.

ent," says Dr. Cohen, a computer consultant in Branford, Conn. "Veterinarians need to develop an interest and learn how to maximize their computer's capabilities.

"Literacy of the user is very important. He or she needs to know the importance of other features and programs such as utilities and word processing. The practice management features are great, but if that's all veterinarians are using, then they're not getting the best use from their system. They're only using 40 to 60 percent instead of 80 to 90 percent."

Philip Bradley manages the Bradley Veterinary Clinic in Lawrence, Kan., a practice in the midst of computerizing. Bradley agrees that, to function effectively, veterinarians must use their systems to do more than just print out invoices and reminder cards. "As manager, I like the fact that we won't have to do as much daily bookwork," he says. "From a single entry, we'll be able to generate many different records. Most important, though, we will better serve our clients."

Shop around

Allen Suggs is business manager of Animal Medical Clinics, which includes seven clinics in Jacksonville, Fla., and will soon include three more. From experience, Suggs says he feels that computers are a worthwhile investment—despite some expensive mistakes made in his practice.

"We spent about $50,000 trying out different systems, but the education involved was worth it,"

WHICH CAME FIRST: THE INCOME OR THE COMPUTER?

Gross practice income	Percent of DVMs in computerized practices
$50,000-$89,000	25.9%
$90,000-$149,000	34.3%
$150,000-$199,000	35.4%
$200,000 or more	67.4%

NEW GRADS TAKE THE COMPUTER PLUNGE

Number of years in practice	Percent in computerized practices
2 years or less	68%
3-5 years	56%
6-10 years	59.9%
11-20 years	60.9%
21 years or more	43.7%

NO CLINIC OR HOME IS COMPLETE WITHOUT ONE OF OUR AIR PURIFICATION SYSTEMS

After several years of research and development, Alpine Air Products has developed the highest quality, most effective air treatment systems ever. These systems make all other forms of air-quality control virtually obsolete.

Our advanced methods and technology set us apart from any other purification system ever developed.

With no harsh or hazardous chemicals, no perfume odors, no cleaning product odors, Alpine Air Purifiers kill bacteria, mold, fungi, and mildew, and arrest pollen, dust, and static electricity. Pet and animal odors are no more, leaving the purest breathing air available.

NO FILTERS: Alpine does not filter the air, we actually electrify the pollutants in the air similar to the way nature does.

EASY MAINTENANCE: As needed, wash and dry rear intake screen, and wash and dry power plate.

FIND OUT WHY OVER 100,000 MODEL 150s AND 250s HAVE BEEN SOLD WORLD WIDE.

Model 250 - purifies up to 3,500 sq. ft. or 28,000 cubic feet: $595.00 (pictured above.)

Model 150 - purifies up to 1,500 sq. ft. or 12,000 cubic feet: $395.00.

We accept MasterCard and Visa
Buy one of our air purifiers today and you will not want to be without it, at clinic or home. If not satisfied within 30 days, return for your money back.

* Alpine Air Products offers an excellent dealer program designed to add profits to your practice.

Call today 1-800-628-4476.

* ALL ALPINE PRODUCTS PROUDLY MADE IN THE U.S.A.

* 24 HOUR TOLL -FREE SUPPORT LINE.

Doing our part to support and help clean up America.

Alpine Air Products
1st National Bank Building,
P.O. Box 117 , Lee's Summit, MO 64063-0117

©1990 Alpine Air Products

Circle No. 123 on Reader Response Card

REMINDER FUNCTION TOPS LIST

Reminder-recall	82% *
Word processing	73.1%
Accounts receivable	77.1%
Billing	77.1%
Practice analysis	58.9%
Inventory	54.1%

* Percentage of veterinarians who use these computer functions.

MORE PRACTICES TO JOIN THE FOLD

All DVMs	44.3% *
Small animal	45.7%
Mixed animal	43.7%
Large animal	36.5%
Equine	50%

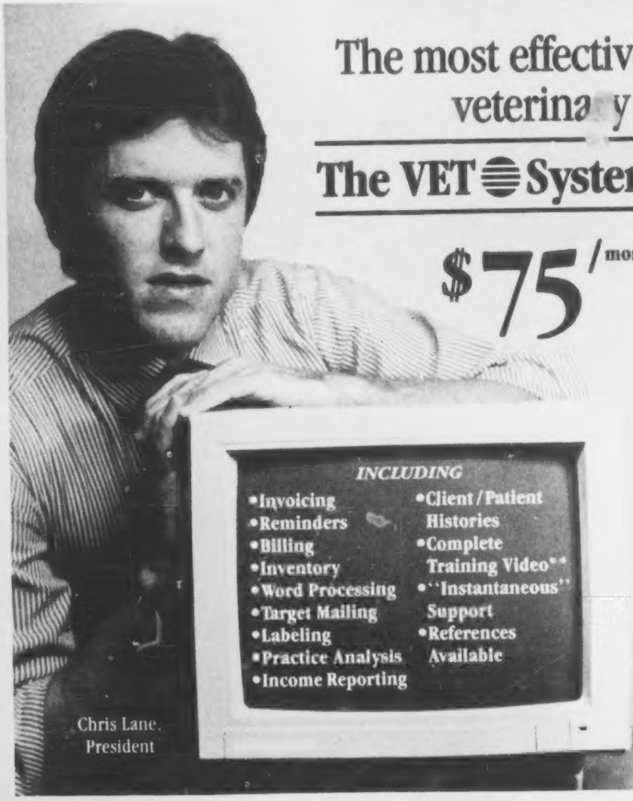
* Percentage of noncomputer owners who plan to buy a computer within two years.

Suggs says. "Our goal was to find the easiest system to use and learn; otherwise it would simply be a waste. Flexibility was another big factor. We searched until we found a company that was willing to structure certain forms the way we wanted them."

Editor's note: We'd like to hear what you think about the majority stance of computer-owning practitioners. Send your comments to VETERINARY ECONOMICS, *9073 Lenexa Dr., Lenexa, KS 66215.* ■

THE MORE CLIENTS, THE MORE COMPUTERS

Number of clients	Percent of DVMs in computerized practices
Less than 1,000	42.7%
1,000-1999	51.8%
2,000-2,999	55.3%
3,000-3,999	62.3%
4,000 or more	67.8%



The most effective, friendly and affordable veterinary software available.

The VET System Subscription Software

$75/month*

INCLUDING
- Invoicing
- Reminders
- Billing
- Inventory
- Word Processing
- Target Mailing
- Labeling
- Practice Analysis
- Income Reporting
- Client/Patient Histories
- Complete Training Video**
- "Instantaneous" Support
- References Available

Chris Lane,
President

Subscription software allows you to computerize your practice simply and affordably. . .ask us to show you how.

Call Toll Free in
the U.S.A. or Canada:
1-800-845-4664
Or write for
Free Portfolio/No obligation

PC²
Professional
Computer
Corporation

8192 Hopewell Court, Largo, FL 34647

*$275.00 Startup Fee
**On-Site Training Optional

Circle No. 114 on Reader Response Card

Animal welfare: Will you be a leader or a victim?

It's time to offer dentistry

Don't get tripped up by today's tough labor laws

JANUARY 1991

veterinary
e nomics

THE MAGA E MANAGEMENT AND FINANCE

INTRODUCING THE $40,000 GRADUATE

A NEW LOOK AT ASSOCIATE COMPENSATION

CONTENTS

VETERINARY ECONOMICS
JANUARY 1991

37 ISSUES

Animal welfare: Will you be a leader or a victim?

Your profession alone may not protect you in the face of today's animal welfare crusades. The author warns that veterinarians risk losing more than their tempers if they don't take note and take charge now.

43 PRACTICE BUILDER

Do you offer dentistry? These doctors say you should

Business is booming for these practitioners, thanks in large part to their willingness to provide dental services for their clients' pets. Here they explain how and why they promote dentistry.

47 CLIENT HANDOUT

Ready, aim, brush

Dental decay can cause bad breath and a host of other health problems for your pet. Here's how to help everyone breathe a little easier. *A special handout for your clients.*

30 COVER STORY

Introducing the $40,000 graduate

A new look at associate compensation

Today, new graduates make just over $25,000 a year. The authors say it's time to boost this amount significantly. Here they explain how (and why) you can pay more —and still realize a handsome profit on your investment.

Picture credits: page 83

52 PRACTICE FINANCES

To lease or to finance? Solving the purchasing dilemma

Can't decide if you should lease or finance a new piece of much-needed equipment? CPA Cynthia Wutchiett's guidelines point the way to a money-saving decision for your practice.

61 HOSPITAL DESIGN

Stepping back five feet into a winning hospital

Dr. Larry G[illegible]lig opened his new Raytown, Mo., facility not quite two yards from his former location, and not quite two days after his old practice closed. Here's how he accomplished such a feat.

66 PERSONNEL

Don't get tripped up by today's tough labor laws

Seemingly harmless personnel policies can get you accused of discriminating, violating civil rights, or failing to pay overtime. Here's how to protect yourself.

DEPARTMENTS

4 Memo from the Editor
7 Forecasts
10 Noteworthy/Success File
12 Letters to the Editor
14 Practice Management Q&A
16 Money Management Q&A
79 Marketplace

22 Management Strategy
Don't be outmaneuvered during negotiations. Here's how to stay in the game.

65 Design Notes
Confused by flooring options? Architects Gates and Hafen offer a suggestion.

73 Tax Strategy
Get the most from IRS rules when computing your tax-deductible auto expenses.

84 Bull's Eye
This practice management consultant says that a recession is in the mind of the beholder.

MEMO FROM THE EDITOR

Letters only, please

Now settle down. Before you send me a rose (or a grenade) in response to this month's cover story, read it again. How many times have you heard a consultant or a colleague (or yourself, for that matter) state in no uncertain terms that veterinarians need to charge more, make more, and pay more? The problem with that statement is that it's too easy to say—and far too easy to ignore.

Moving on to solutions is frustrating because the ideas quickly smash into a series of brick walls: "We can't pay more because we can't make more because we can't charge clients more." You can join this chorus at any point in the refrain and still see no way out. In the pages of this magazine, our contributors have advocated charging what you're worth, and the consensus seems to be that clients won't (and don't) flee in horror. This month, David Gallagher and Dr. Robert Frey tackle the problem from another angle: your need and ability to pay associates more money.

Now, lest you envision our editorial offices occupied by a snickering mob of associates who've seized control of the publishing channels, I'd like to point out that this solution, like the higher fee solution, is not designed to undermine your practice or your income. It also is not a solution that applies only to practices other than your own. It is a solution in which everyone is supposed to win, *beginning* with the practice and its owner. As for you associates, don't thank us too soon. The burden is on you to *earn* this money, for yourself and for your boss. No free lunches here.

Although "gifts" aren't necessary, I would like to hear what you think. Of course, I've never known you to be shy before, especially in the face of controversy. Does the proposal put forth by Gallagher and Dr. Frey make sense for veterinary medicine? I think so, but I'd rather you tell me.

Becky Turner

Rebecca R. Turner

veterinary economics

Editor: Rebecca R. Turner
Managing Editor: Catherine C. Lumetta
Associate Editor: Kathleen A. Cyr
Design Director: Gregory B. Kindred
Art Director: Alison J. Fulton
Assistant Art Director: Mark E. Eisler
Editorial Intern: Kirsten Schroeder
Practice Management Editor: Ross Clark, DVM
Contributing Financial Editors: Owen McCafferty, CPA, William J. Roll, CPA
Consulting Editor: Tracy L. Revoir, DVM
Special Assignments Editor: Rebecca Gants
Editorial Assistant: Ruth Espy
Contributing Editors and Advisers: Ross Ainslie, DVM, Halifax, Nova Scotia; Alan F. Berger, DVM, Utica, Mich.; Jenks S. Britt, DVM, Russellville, Ky.; Daniel D. Chapel, AIA, Little Rock, Ark.; Warren Freedenfeld, AIA, Boston, Mass.; David P. Gallagher, Trumansburg, N.Y.; Glenn F. Hoffsis, DVM, Columbus, Ohio; Jack Kaine, MBA, Kansas City, Mo.; Harry James, DVM, Pond Creek, Okla.; Eleanor M. Kellon, VMD, Terre Hill, Pa.; David Lane, DVM, Carbondale, Ill.; Dawn G. Lennon, Coopersburg, Pa.; Herbert C. Lloyd, DVM, Arcadia, Fla.; David P. Madden, JD, Lenexa, Kan.; Marvin E. Rydberg, DVM, Lake Geneva, Wis; Peter Reardon, DVM, Phoenix, Ariz.; J.H Rosenberger, DVM, Richmond Heights, Ohio; Sam E. Strahm, DVM, Pawhuska, Okla.; Milton L. Willen, DVM, Palm Desert, Calif.; James F. Wilson, DVM, JD, Yardley, Pa.; Thomas D. Young, DVM, Toledo, Ohio

Senior Vice President Market Development: Dale Schuler
National Sales Manager: Doug Catt
Eastern Account Manager: Jed Bean
Western Account Manager: Tracy Holmes
Inside Sales/Ad Production: Sue Weller
Ad Production Assistant: Sandy Hall
Advertising Assistants: Rosa Lee Metzler, Becky Lindblom

Circulation Manager: Helen McGraw

VMPCI
Vice President/General Manager: Dennis M. McLaughlin
Controller/Business Manager: Cary Seem

Editorial and sales office:
9073 Lenexa Drive
Lenexa, KS 66215
(913) 492-4300

BPA ABP

VETERINARY ECONOMICS (ISSN0042-4862) is published monthly by Veterinary Medicine Publishing Co., 9073 Lenexa Drive, Lenexa, KS 66215. Telephone (913) 492-4300.

Copyright © 1991 by Veterinary Medicine Publishing Co. All rights reserved. None of the content of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means (electronic, mechanical, photocopying, recording, or otherwise) without the prior written permission of the publisher.

Printed in U.S.A. Price $6.00 a copy. $30 a year (U.S.A.). $45 a year (Canada and Mexico). $65 a year (foreign). Address correspondence to Veterinary Economics, 9073 Lenexa Drive, Lenexa, KS 66215. Second-class postage paid at Shawnee Mission, Kan. and additional entry offices. Postmaster: Send change of address notice to Veterinary Economics, 9073 Lenexa Drive, Lenexa, KS 66215.

A Medical Economics Publication

comments on recessions, see Bull's Eye, page 84.

WHAT WILL YOUR CLIENTS SPEND?

Total annual expenditures[1] of households, classified by age of household head, 1990-2000

	1990 Expenditures	1990 Market share	2000 Expenditures	2000 Market share	1990-2000 Percent change
Veterinary expenses					
18-34	$ 672	23.2	$ 681	17.1	+ 1.3
35-64	1,887	65.2	2,804	70.3	+48.6
65+	333	11.5	504	12.6	+51.4
Total	2,892	100.0	3,989	100.0	+37.9
Pet food					
18-34	$1,375	24.7	$1,305	19.1	− 5.1
35-64	3,597	64.5	4,865	71.0	+35.3
65+	605	10.8	680	9.9	+12.4
Total	5,578	100.0	6,850	100.0	+22.8
Pet services[2]					
18-34	$187	19.5	$ 222	15.2	+18.7
35-64	674	70.1	1,076	73.9	+59.6
65+	100	10.4	158	10.9	+58.0
Total	961	100.0	1,456	100.0	+51.5

[1] All dollar figures are annual totals in millions. Numbers may not add perfectly because of rounding.

[2] This category includes such services as clipping, grooming, training, and boarding.

Source: PREVENTION magazine. Information from the U.S. Bureau of Labor Statistics; figures adapted by the National Planning Data Corporation.

WELFARE VS. RIGHTS: WHAT'S THE DEAL?

Confused about the difference between animal welfare and animal rights? Most people aren't aware there's a difference—and if they are, they don't always know what it is.

It's no secret, however, that animals and those who seek to protect them are in the news. And it's also no secret that you as a veterinarian may be called upon to comment on animal welfare or animal rights issues.

Last summer, the AVMA's executive board finalized a policy statement on the matter, which should prove helpful in clarifying your thoughts and giving you a place to start. The policy states:

Animal welfare and animal rights are not synonymous terms. The AVMA wholeheartedly endorses and adopts promotion of animal welfare as official policy; however, the AVMA does not endorse the philosophical views and personal values of animal rights advocates when they are incompatible with the responsible use of animals for human purposes, such as food, fiber, companionship, recreation, and research conducted for the benefit of both humans and animals.

For more on how and why you should take a stand on these issues, see page 37.

TELEPHONE TIP

What's in a name? *Everything*, according to Nancy Friedman, The Telephone "Doctor." She says that callers like to know with whom they are speaking.

To provide this courtesy in your practice, your receptionist should always identify the hospital—and then herself. Name identification goes for doctors, too, whether you answer an outside line or take a call that is forwarded to your office.

To be sure that the caller understands the names, use a friendly "buffer" at the start: "Good morning, ABC Animal Hospital, this is Mary." Doctors, even a quick "hi" before you introduce yourself warms the call.

QUOTEBOOK

"The area I felt had great potential for benefiting people and animals was something commonly referred to as the human-animal bond. I believed if we could mobilize veterinarians, along with other health professionals and animal specialists, we could have an impact on many people—especially those lacking nurturing objects."

—*Dr. Leo K. Bustad, who received the 1990 Distinguished Service Delta Award for his work in promoting the human-animal bond.* ■

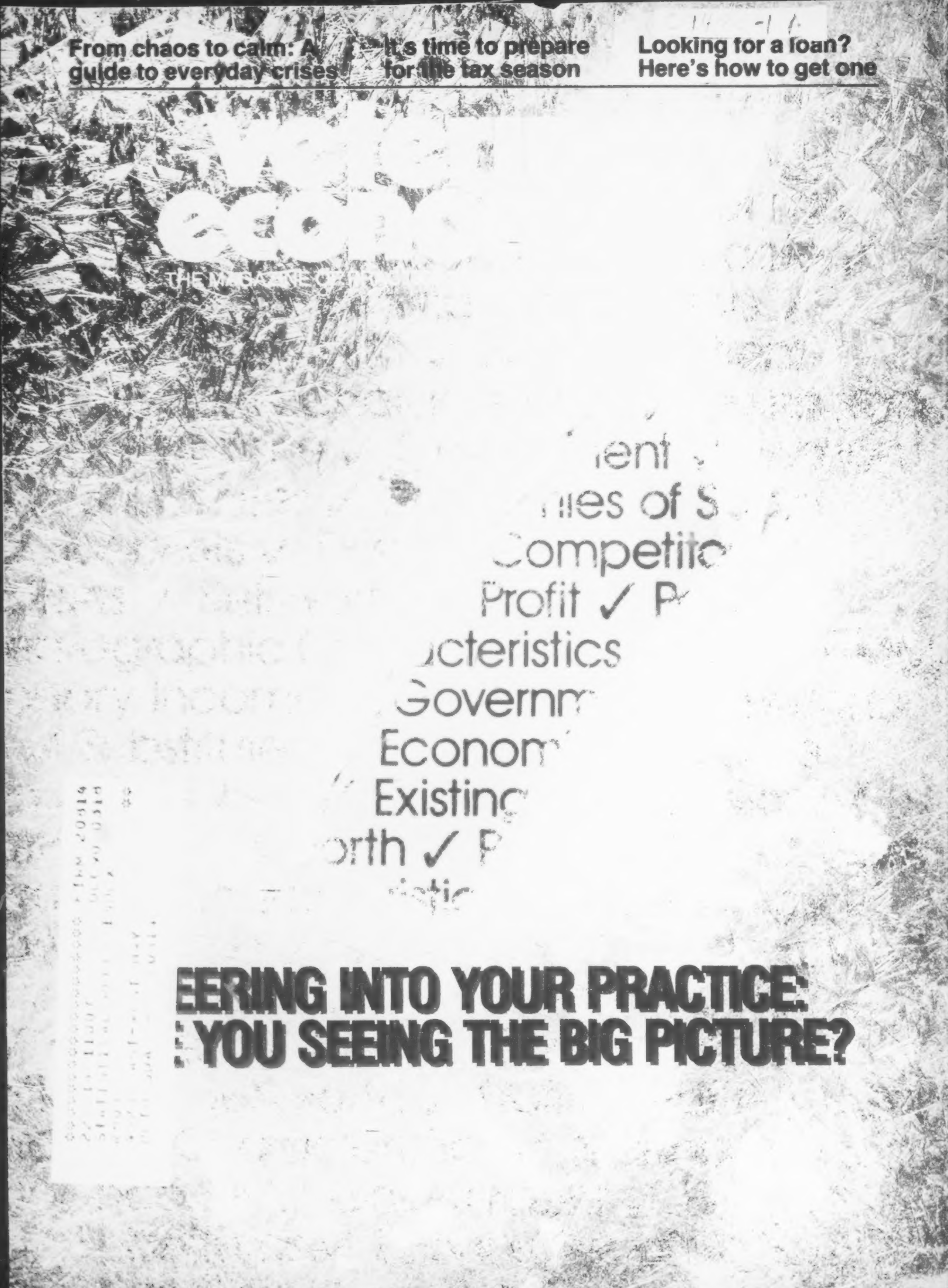
From chaos to calm: A guide to everyday crises

It's time to prepare for the tax season

Looking for a loan? Here's how to get one

ecor

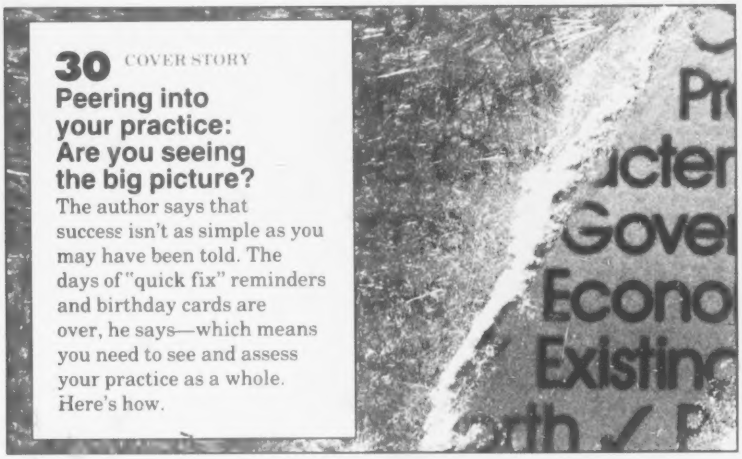
THE MAGAZINE OF PR


ient
nies of S
Competito
Profit ✓ P
acteristics
Governm
Econom
Existing
orth ✓ P
istic

EERING INTO YOUR PRACTICE:
YOU SEEING THE BIG PICTURE?

CONTENTS

VETERINARY ECONOMICS
VOLUME 32, NUMBER 2
FEBRUARY 1991



30 COVER STORY

Peering into your practice: Are you seeing the big picture?

The author says that success isn't as simple as you may have been told. The days of "quick fix" reminders and birthday cards are over, he says—which means you need to see and assess your practice as a whole. Here's how.

44 TAXES

It's time to prepare for the coming tax season

To help you tackle your 1990 return, tax expert Julian Block explains some of the most used but confused aspects of the new tax law.

63 IMAGE BUILDER

Spreading the word about your practice

To educate pet owners and to build their practices, these veterinarians step out of the exam room and into the world of public relations. Their efforts have paid off handsomely.

72 PRACTICE BUILDER

Diagnostic testing: Don't sell your practice short

No FIV in your area? Are you sure? The author explains why thorough diagnostic workups mean good money—and good medicine.

82 HOSPITAL DESIGN

Condemned property now commended for design

Highway expansion forced these veterinarians out of their prime-location hospital—and into their own back yard.

88 PRACTICE MANAGEMENT

Turning chaos into calm: A guide to everyday crises

When an employee quits or calls in sick, does chaos erupt in your practice? To avoid the confusion and stress caused by such surprises, try these long-term techniques.

95 PRACTICE FINANCES

Looking for a loan? An insider's guide to getting the money you need

Before you approach a lender, you've got to understand the loan process. Here's how to maximize your loan potential and secure SBA backing if you need it.

Picture credits: page 112

DEPARTMENTS

4 **Memo from the Editor**
7 **Forecasts**
8 **Success File**
12 **Letters to the Editor**
16 **Practice Management Q&A**
21 **Money Management Q&A**
108 **New for You**
113 **Marketplace**

8 **Noteworthy**
A breeding ban passes; CPR for pets; DVMs go "green"; a look at disability; plus a phone tip.

23 **Back to the Basics**
Here's a system for scheduling your staff that offers flexibility yet fulfills your practice needs.

26 **Marketing**
Want clients to think of you while they're at home? These customized gift items can help.

118 **Bull's Eye**
Change offers veterinarians many golden opportunities. This CPA says, "Go for it!"

MEMO FROM THE EDITOR

The importance of Sam, part two

Last December, I used this space to write about my mom's cat, Sam. It's become somewhat of a tradition for me to write a more personal column in December, and the reasons are the same every year: By Thanksgiving, I've just about beaten the economic drum to death on this page, and I figure that both you and I could use a break. It helps, of course, that there are almost as many pets in my family as there are people, so there's always a story or two to tell.

That's why it took me by surprise when management consultant Don Dooley called and asked if my December column was the "start of something big," and if I realized that I'd hit on the crux of what's wrong and what's right about veterinary medicine. When I asked him to explain, he said that if veterinarians really understood the bond between people and their pets, they would *never* hesitate to offer top-of-the-line medical care. Veterinarians, he said, seem to be the last to believe that people are extremely attached to their pets.

Dooley went on to say that if veterinarians believed in the human-animal bond, they would have a compelling and irrefutable reason to believe in themselves. The resulting self-esteem would have all sorts of positive ramifications—emotional, intellectual, *and* economic. My mom, you see, is not paying her veterinarian for some overpriced service that ultimately doesn't matter. She is paying him to do everything he can to keep a member of her family healthy and alive.

If you need proof that any of this is true, look around. Take note that in a recent "20/20" segment on high-tech pet care, veterinary costs took a back seat to the tears and laughter that surround delicate and successful procedures on cherished pets. Take some time to read up on (or better yet, witness) the effect pets have on autistic children and elderly nursing-home residents. And just look at your clients for a minute. Do you really believe it when a gruff old man cradling his pet says that the animal is just "a crazy old dog that my wife made me bring in"?

Becky Turner

Rebecca R. Turner

veterinary economics

Editor: Rebecca R. Turner
Managing Editor: Catherine C. Lumetta
Associate Editor: Kathleen A. Cyr
Design Director: Gregory B. Kindred
Art Director: Alison J. Fulton
Assistant Art Director: Mark E. Eisler
Practice Management Editor: Ross Clark, DVM
Contributing Financial Editors: Owen McCafferty, CPA, William J. Roll, CPA
Consulting Editor: Tracy L. Revoir, DVM
Special Assignments Editor: Rebecca Gants
Editorial Assistant: Ruth Espy
Contributing Editors and Advisers: Ross Ainslie, DVM, Halifax, Nova Scotia; Alan F. Berger, DVM, Utica, Mich.; Jenks S. Britt, DVM, Russellville, Ky.; Daniel D. Chapel, AIA, Little Rock, Ark.; Warren Freedenfeld, AIA, Boston, Mass.; David P Gallagher, Trumansburg, N.Y.; Glenn F. Hoffsis, DVM, Columbus, Ohio; Jack Kaine, MBA, Kansas City, Mo.; Harry James, DVM, Pond Creek, Okla.; Eleanor M. Kellon, VMD, Terre Hill, Pa.; David Lane, DVM, Carbondale, Ill.; Dawn G. Lennon, Coopersburg, Pa.; Herbert C. Lloyd, DVM, Arcadia, Fla.; David P. Madden, JD, Lenexa, Kan.; Marvin E. Rydberg, DVM, Lake Geneva, Wis; Peter Reardon, DVM, Phoenix, Ariz.; J.H Rosenberger, DVM, Richmond Heights, Ohio; Sam E. Strahm, DVM, Pawhuska, Okla.; Milton L. Willen, DVM, Palm Desert, Calif.; James F. Wilson, DVM, JD, Yardley, Pa.; Thomas D. Young, DVM, Toledo, Ohio

Senior Vice President Market Development: Dale Schuler
National Sales Manager: Doug Catt
Eastern Account Manager: Jed Bean
Western Account Manager: Tracy Holmes
Inside Sales/Ad Production: Sue Weller
Ad Production Assistant: Sandy Hall
Advertising Assistants: Rosa Lee Metzler, Becky Lindblom

Circulation Manager: Helen McGraw

VMPCI

Vice President/General Manager: Dennis M. McLaughlin
Controller/Business Manager: Cary Seem

Editorial and sales office:
9073 Lenexa Drive
Lenexa, KS 66215
(913) 492-4300

VETERINARY ECONOMICS (ISSN0042-4862) is published monthly by Veterinary Medicine Publishing Co., 9073 Lenexa Drive, Lenexa, KS 66215. Telephone (913) 492-4300.

Copyright © 1991 by Veterinary Medicine Publishing Co. All rights reserved. None of the content of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means (electronic, mechanical, photocopying, recording, or otherwise) without the prior written permission of the publisher.

Printed in U.S.A. Price $6.00 a copy. $30 a year (U.S.A.). $45 a year (Canada and Mexico). $65 a year (foreign). Address correspondence to Veterinary Economics, 9073 Lenexa Drive, Lenexa, KS 66215. Second-class postage paid at Shawnee Mission, Kan. and additional entry offices. Postmaster: Send change of address notice to Veterinary Economics, 9073 Lenexa Drive, Lenexa, KS 66215

Volume 32, Number 2

A Medical Economics Publication

reasonable to ask clients to pay $30 for "a retrovirus panel," instead of $20 for the FeLV only. You've read about the incidences of both FeLV and FIV (see the box below), and you would like to determine for yourself just how many FIV-positive cats there are in your neck of the woods.

HOW MANY GO UNTREATED?

Information accumulated at the University of California-Davis, Colorado State University, the Cornell Feline Health Center, and the University of Glasgow (see table) indicates that when sick cats seen by clinicians at these universities were tested for FeLV and FIV, the incidence of FIV was almost identical to the incidence of FeLV. When these results are cumulated, the average incidence in *sick* cats is 15 percent for FeLV and 14.8 percent for FIV, based on tests from 4,715 cats. We can assume then, that if only 20 percent of veterinary practitioners in the United States test regularly for FIV, tremendous numbers of undiagnosed FIV-positive cats exist in the population.

Large numbers of hard facts are not available to accurately define the incidence of these two diseases in a population of asymptomatic household cats. Dr. Niels Pedersen estimates, however, that 6 to 8 percent of cats in the United States carry FIV; reports from other sources estimate that this virus infects 22 percent of cats in France, 30 percent in Japan, 13 percent in Great Britain, and 4 percent in Switzerland and the Netherlands.

SELECTED REPORTS OF FELV/FIV INCIDENCE[1]

	FIV	FeLV	Both	Sample Size
U.C. Davis	14%	13%	2.1%	2,254[2]
Colorado State	7	11	0.5	427
Cornell Feline Health Center[3]	13	19	0.7	830
University of Glasgow	19	18	3.0	1,204

[1] Studies were conducted on sick cats.

[2] For those cates tested for FeLV, the sample size was 1,609.

[3] Samples were submitted for FeLV diagnosis on symptomatic cats.

Variations in smaller geographical areas of the United States and the world are likely to be significant. It is probably fair to assume, though, that somewhere between 5 to 10 percent of the general feline population carries FeLV, a nearly equal number are infected with FIV, and 0.3 to 0.8 percent have both. If we assume that, in the next year, each FIV positive cat will infect just one additional cat in the household or neighborhood, we can easily see that the opportunity for increasing the incidence of FIV in the overall cat population is a major threat.

Based on this premise, you test 10 cats per week for both diseases at $30 each for 50 weeks per year. This generates $15,000 in gross income. By increasing the cost of this testing to your clients by 50 percent, you have multiplied the volume of information by 200 percent. Not a bad deal, eh?

Of course, you've established that the combination test kits cost about $5 more than the single tests, so you'll spend $2,500 more per year (500 x $5) for test kits. The combination test, however, requires the same amount of technician time to run as the solo test. Therefore, you incur only one additional cost to acquire double the volume of diagnostic information. The $12,500 you earn is still a better return on your investment than you were making before.

If you need more convincing before you start performing these tests on all patients and charging the higher fee, here's a suggestion: Mark up the combination test costs by only $5 for a few weeks. I think the increased volume of diagnostic information you receive will convince you of the value of combination testing. After all, the worst that will happen is that you'll break even while performing an epidemiological study of FIV in your own practice. When you are convinced of the clinical value of the testing, increase the price to a point within your comfort zone.

You also might take into consideration the health-care ramifications. Your current lack of in-

INTRODUCING THE 1991 HOSPITAL OF THE YEAR PAGE 50

CELEBRATING 25 YEARS OF HOSPITAL DESIGN

MEMO FROM THE EDITOR

A celebration from the start

When the first issue of VETERINARY ECONOMICS appeared in 1960, I was 8 months old. Kathy and Katie, the managing and associate editors, were barely twinkles in their parents' eyes. As the three of us flipped back through the pages and the years to research this commemorative issue, we learned a great deal about what we're doing today—and why. For example, to paraphrase the very first issue of the magazine, dated October 1960, the purpose of VETERINARY ECONOMICS was as follows:

- To bring you business information designed to meet your specific needs—information not previously available to veterinarians.
- To give you information on new developments in business management, taxes, finance, office management, office procedures, and any other business activities of special interest to veterinarians.
- To study the records of successful veterinarians to discover what led to their success, and to publish the results of those studies in detail so that all veterinarians can benefit.

It is a testimony to the founding editors that, despite the shifts and swings of the economy, and the ever-changing face of the profession, those editorial goals remain unchanged today. In this issue, we celebrate another facet of the magazine that hasn't changed: a dedication to studying, tracking, and improving veterinary hospital design.

Design articles burst on the scene in 1965 and have guided—and been guided by—the hospitals built ever since. For 25 years, the point has been made that design is not a flourish but a critical management tool. Done well, design facilitates the movement of staff, clients, patients, resources, and revenue; done poorly, it impedes progress and wastes both time and money.

This month's special section is brought to you by Managing Editor Kathy Lumetta, under whose watchful eye the hospital design functions of the magazine continue today. She is in charge of the articles, the conference, and the competition; in this issue, she presents an enlightening look at the past, present, and future of hospital design. Her purpose is the same as the magazine's: to reflect where you've been, to analyze where you are, to anticipate where you're going, and, of course, to help you get there. I hope you enjoy the journey.

Becky Turner

Rebecca R. Turner

veterinary economics

Editor: Rebecca R. Turner
Managing Editor: Catherine C. Lumetta
Associate Editor: Kathleen A. Cyr
Design Director: Gregory B. Kindred
Art Director: Alison J. Fulton
Assistant Art Director: Mark E. Eisler
Practice Management Editor: Ross Clark, DVM
Contributing Financial Editors: Owen McCafferty, CPA, William J. Roll, CPA
Consulting Editor: Tracy L. Revoir, DVM
Special Assignments Editor: Rebecca Gants
Editorial Assistant: Ruth Espy
Contributing Editors and Advisers: Ross Ainslie, DVM, Halifax, Nova Scotia; Alan F. Berger, DVM, Utica, Mich.; Jenks S. Britt, DVM, Russellville, Ky.; Daniel D. Chapel, AIA, Little Rock, Ark.; Warren Freedenfeld, AIA, Boston, Mass.; David P. Gallagher, Trumansburg, N.Y.; Glenn F. Hoffsis, DVM, Columbus, Ohio; Jack Kaine, MBA, Kansas City, Mo.; Harry James, DVM, Pond Creek, Okla.; Eleanor M. Kellon, VMD, Terre Hill, Pa.; David Lane, DVM, Carbondale, Ill.; Dawn G. Lennon, Coopersburg, Pa.; Herbert C. Lloyd, DVM, Arcadia, Fla.; David P. Madden, JD, Lenexa, Kan.; Marvin E. Rydberg, DVM, Lake Geneva, Wis; Peter Reardon, DVM, Phoenix, Ariz.; J.H Rosenberger, DVM, Richmond Heights, Ohio; Sam E. Strahm, DVM, Pawhuska, Okla.; Milton L. Willen, DVM, Palm Desert, Calif.; James F. Wilson, DVM, JD, Yardley, Pa.; Thomas D. Young, DVM, Toledo, Ohio

Senior Vice President Market Development: Dale Schuler
National Sales Manager: Doug Catt
Eastern Account Manager: Jed Bean
Western Account Manager: Tracy Holmes
Inside Sales/Ad Production: Sue Weller
Ad Production Assistant: Sandy Hall
Advertising Assistants: Rosa Lee Metzler, Becky Lindblom

Circulation Manager: Helen McGraw

VMPCI
Vice President/General Manager: Dennis M. McLaughlin
Controller/Business Manager: Cary Seem

Editorial and sales office:
9073 Lenexa Drive
Lenexa, KS 66215
(913) 492-4300

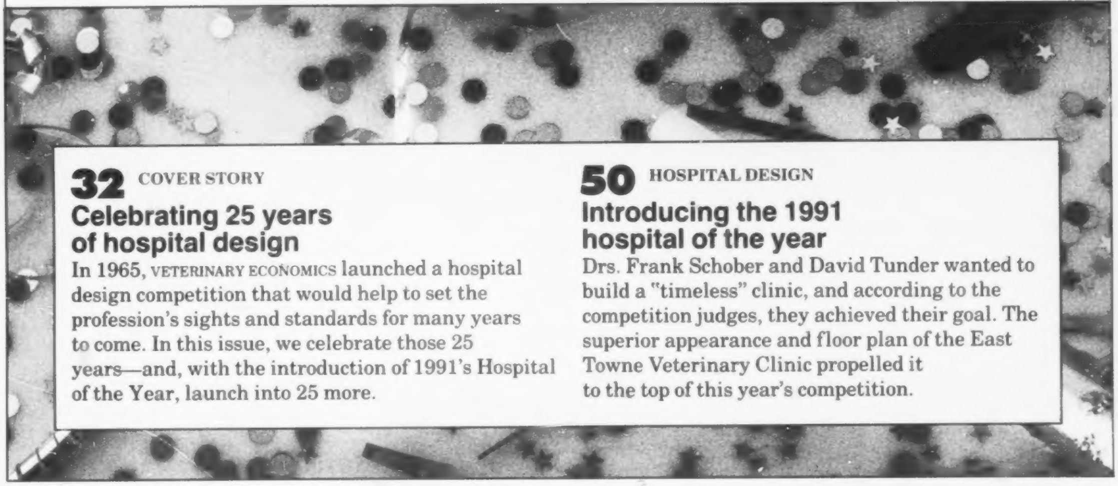
BPA ABP

VETERINARY ECONOMICS (ISSN0042-4862) is published monthly by Veterinary Medicine Publishing Co., 9073 Lenexa Drive, Lenexa, KS 66215. Telephone (913) 492-4300. Copyright © 1991 by Veterinary Medicine Publishing Co. All rights reserved. None of the content of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means (electronic, mechanical, photocopying, recording, or otherwise) without the prior written permission of the publisher. Printed in U.S.A. Price $6.00 a copy. $35 a year (U.S.A.). $50 a year (Canada and Mexico). $70 a year (foreign). Address correspondence to Veterinary Economics, 9073 Lenexa Drive, Lenexa, KS 66215. Second-class postage paid at Shawnee Mission, Kan. and additional entry offices. Postmaster: Send change of address notice to Veterinary Economics, 9073 Lenexa Drive, Lenexa, KS 66215.

Medical Economics Publishing Co.

CONTENTS

VETERINARY ECONOMICS
VOLUME 32, NUMBER 3
MARCH 1991



32 COVER STORY

Celebrating 25 years of hospital design

In 1965, VETERINARY ECONOMICS launched a hospital design competition that would help to set the profession's sights and standards for many years to come. In this issue, we celebrate those 25 years—and, with the introduction of 1991's Hospital of the Year, launch into 25 more.

50 HOSPITAL DESIGN

Introducing the 1991 hospital of the year

Drs. Frank Schober and David Tunder wanted to build a "timeless" clinic, and according to the competition judges, they achieved their goal. The superior appearance and floor plan of the East Towne Veterinary Clinic propelled it to the top of this year's competition.

68 PRACTICE MANAGEMENT

Have you caught on to preventive care?

These doctors say that preventive medicine makes sense for their patients, their clients, and their bottom line. Isn't it time to turn your attention to prevention?

80 ISSUES

Recent trends call for reshaping our profession

The author says that veterinarians must respond to the changes around them. Today, all signs point toward preventive care.

Picture credits: page 116

86 LARGE ANIMAL PRACTICE

Are you ready for a new era of bovine practice?

Large animal doctors who practice preventive care are in a unique position to anticipate client needs. Here's how one doctor helps his practice—and his producers.

91 PRACTICE BUILDER

Preparing your practice for the flea season

Are you ready to combat the host of dermatologic and other health problems brought on by fleas? These doctors describe how they provide relief—and build a healthy practice in the process.

104 PERSONNEL

Understanding wage and hour regulations

The more you know about these regulations, the less likely you'll be investigated. Here, the author discusses minimum wage and overtime.

108 RETIREMENT

Are you on the right track for your retirement?

If you think it's too soon to worry about retirement, think again. Myriad problems await those who procrastinate, but there are steps you can take to ensure a comfortable retirement.

DEPARTMENTS

2 **Memo from the Editor**
10 **Success File**
13 **Practice Management Q&A**
16 **Money Management Q&A**
23 **Letters to the Editor**
114 **New for You**
117 **Marketplace**

9 **Forecasts**
Symptoms of Gulf-war stress; Dear Abby and the voiceless; and the rising cost of unemployment.

10 **Noteworthy**
The practice manager of the year, tax-time assistance, and a look at deductions.

26 **Marketing**
Here's a primer on how (and why) your employees should convey warmth and enthusiasm.

122 **Bull's Eye**
Veterinarians may be taken to task for inadequate response to the euthanasia holocaust.

clinic. As their facility needs changed, Dr. Schober began compiling ideas for a new hospital.

"I had worked in and visited many practices, so I took pieces I liked and started putting together a traffic-flow pattern, centering around a treatment area," he says. Both he and Dr. Tunder wanted their design to provide efficient staff movement between the receptionist, lab/pharmacy, and treatment areas. "We believe that receptionists are vital to the success of the practice," Dr. Schober says. "They have to be comfortable to do their jobs."

The practitioners set their sights on property one mile from their leasehold practice. "A business associate of ours told us of a study done by the Trammel Crow company," Dr. Schober says. "The study found that this is one of the most rapidly developing commercial corridors in the country." The doctors say they don't regret paying the property's premium price, because a high traffic count, a nearby tennis club, and a multitheater complex give them prime exposure.

Benefits outweigh costs

The doctors placed priority on benefit over cost in many areas of the construction. "We took a lot of time before we jumped into the project, but I think a plus for us was that cost was not our number-one concern," Dr. Schober says. "We talked to many veterinarians who had cut costs to begin with, only to regret it later. So we didn't want to limit ourselves based on

High ceilings, natural lighting, and fluorescent and track lighting provide a spacious waiting area. The Du Pont Corian reception desk (below) features an engraving of the clinic logo and brass rails that serve as a hitch for animals. A Corian work-top behind the main desk allows staff members to complete tasks yet still maintain client contact.

The doctors at the East Towne Veterinary Clinic, in Mequon, Wis., worked toward a design that would complement their residential location for years to come. The clinic maintains two entrances, one for hospital services, and another for such ancillary services as grooming, boarding, and pet supplies.

INTRODUCING THE 1991 HOSPITAL OF THE YEAR

Drs. Frank Schober and David Tunder wanted to build a "timeless" clinic, and according to the competition judges, they achieved their goal. A long-wearing appearance and a well-integrated floor plan propelled the East Towne Veterinary Clinic to the top of this year's competition.

By Catherine C. Lumetta MANAGING EDITOR

veterinary
economics
hospital
design
COMPETITION

HOSPITAL OF THE YEAR

When Drs. Frank Schober and David Tunder approached Architect William Copich, they told him they wanted their hospital to be "timeless." It must, they stipulated, fit in now—and in the future—with the appearance of the surrounding residential neighborhood.

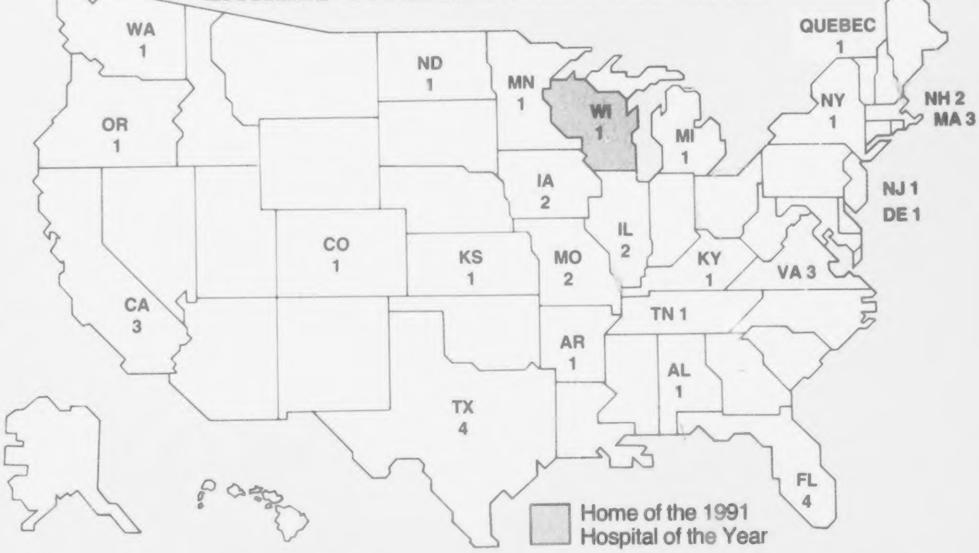
The doctors believe they achieved their goal, and the judges of the 1991 Hospital Design Competition confirmed their claim. In fact, the timeless construction of the East Towne Veterinary Clinic, in Mequon, Wis., weighed heavily in the judges' decision to proclaim the facility the 1991 Hospital of the Year. "This facility will wear well," said one judge. "It will age better because it is a more conservative design."

The judges also noted how well the design meets the contemporary needs of the veterinary profession. For example, they agreed that the 9,988-square-foot facility provides an efficient, harmonious relationship between medical and ancillary services.

Common philosophies, goals

Drs. Schober and Tunder, 1982 graduates of Purdue and Ohio State, respectively, met through a local veterinary association. "We found that our practice philosophy and our personalities matched so well, we decided to join forces," Dr. Schober says. The doctors opened a leasehold practice in 1986, but quickly outgrew the

ENTRIES COME FROM FAR AND WIDE


WA 1
OR 1
CA 3
ND 1
MN 1
WI 1
MI 1
IA 2
IL 2
CO 1
KS 1
MO 2
KY 1
VA 3
TN 1
AR 1
AL 1
TX 4
FL 4
QUEBEC 1
NY 1
NH 2
MA 3
NJ 1
DE 1
Home of the 1991 Hospital of the Year

The map above shows the number of design competition entries from each state. The winners—whose states are shaded on the map—are listed below. Each will be featured in an upcoming issue.

1991 Hospital of the Year
East Towne Veterinary Clinic
Mequon, Wis.
Small animal freestanding
9,988 square feet

1991 Runner-Up
Countryside Veterinary Hospital
Chelmsford, Mass.
Small animal freestanding
5,881 square feet

1991 Merit Awards

Animal Eye Clinic
Portland, Ore.
Small animal freestanding*
2,200 square feet

Chesapeake Animal Hospital
Chesapeake, Va.
Small animal freestanding
6,477 square feet

Far West Companion Animal Hospital
Austin, Texas
Small animal conversion
3,200 square feet

Hôpital Vétérinaire Daubigny
Quebec, Canada
Small animal freestanding
8,740 square feet

Johnson Veterinary Services
Bernardsville, N.J.
Small animal home clinic
1,096 square feet

Moulton Animal Hospital
Laguna Hills, Calif.
Small animal leasehold
1,400 square feet

*Practice is mixed animal, facility is small animal

►

cost; we knew we'd be here a long time and wanted our hospital to be pleasant for us and our staff. I think it's going to pay off in the long run as far as durability."

To finance their clinic, the doctors shopped around. Of the six banks they approached, three expressed interest in their project. They chose Park Bank, a small Milwaukee bank that specializes in serving small businesses, for its "exceptional service and attitude." The bank agreed to write the entire loan, but the doctors obtained more favorable rates with two additional backers: the Wisconsin Business Development Fund (an SBA program) and family members.

THE GOING RATE FOR NEW HOSPITALS

In 1965, construction costs for the Hospital of the Year totaled $54,250, or $24 a square foot. Ten years into the competition, the average cost for all construction types was $136,298—or $35 a square foot.

Today, veterinarians are paying 39 percent more to construct new facilities than they paid in 1985,[1] when the average cost per square foot for all construction types was $47, and the average total cost was $173,668. Below are cost figures for the last two years.

Clinic type	Average construction costs[2]	Average cost per. sq. ft.
Freestanding	$417,945	$ 71
	288,921	70
Leasehold	109,400	49
	64,150	27
Additions/alterations	209,297	43
	336,074	37
Conversion	185,000	42
	275,833	62
Home clinic	175,000	160
	*	*
All projects	332,495	65
	255,773	59

☐ 1991 entries ☐ 1990 entries

[1] As reported in March 1986

[2] Figures compiled from VETERINARY ECONOMICS' Hospital Design Competition entries from 1990 and 1991. Land and equipment costs not included.

*Not applicable.

Quality, comfortable design

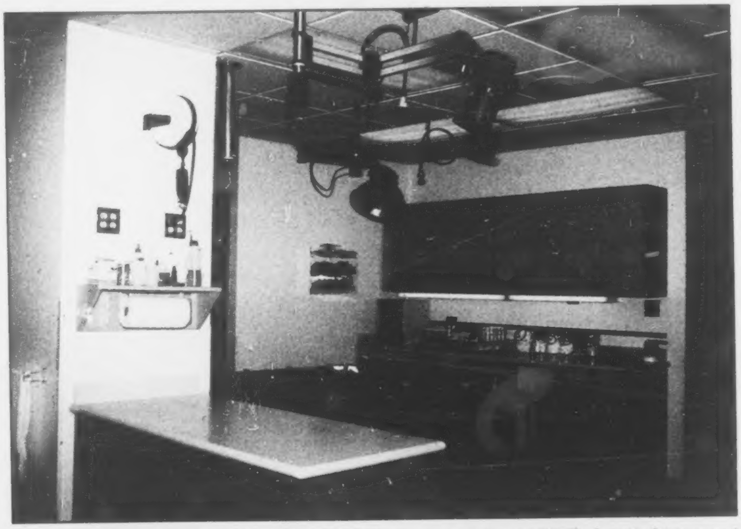
The doctors say they were careful to create a design that mirrors their practice philosophy. "We strive to be a high-quality, low-volume practice with 30-minute appointments that emphasize client education and preventive health care," they wrote in their entry form. "We feel it important that the public be made aware that veterinarians spend as much time—and more money—than other health-care professionals to continue providing the best care available. This facility reflects our commitment to excellence in the pet health-care field."

In keeping with their practice philosophy, the doctors opted for separate entrances for medical and ancillary services. They also included an obedience-training room in the basement. "We lease the space to a dog trainer, who uses it five days a week," Dr. Schober says. "It's a mutually beneficial arrangement; we recommend people to her, and vice versa."

"Training is so important," he continues, "especially when you think about the number of animals euthanized for behavior problems."

The doctors' choice of materials also illustrates their commitment

Larger exam rooms feature rheostat switches so that lights can be dimmed when treating frightened animals and exotic species. Rounded edges on the Corian-topped exam tables help prevent pets from grabbing the ends and jumping off. Public-area floors are quarry tile, as is the lab/pharmacy floor.



The need for a support column dictated the layout of the centrally located treament room. The L-shaped wet-and-dry workbench utilizes the column for electrical wiring and plumbing. The treatment room includes a hydraulic lift table and mobile crash cart to make it easier to move large animals.

to quality pet care. For example, all counter tops and exam-table tops are Du Pont Corian, as are both reception desks. The doctors say the material's durability and rich look overruled its high price—3½ times more than the cost of Formica.

"I wouldn't have it any other way, despite the cost," Dr. Schober says, "because every client who comes in and puts an animal on it has commented that the animal seems much more calm. It simply provides a warmer look."

The doctor's also chose solid oak for chairs, doors, trim, shelving in the client areas, and the ceiling in the waiting area. In all animal areas, Florock coved 4 inches up the wall provides easy cleaning and better traction for the animal. "The Florock was twice as expensive as sheet vinyl, but we think it was well worth it," Dr. Schober says. "It's an epoxy material troweled on over concrete and coated with a sand finish."

The doctors also spared no expense for cages and runs. Although they paid $1,500 apiece for 32 Suburban Surgical runs, Dr. Schober says "you can't beat them. Their maintenance is next to nothing." He adds that clients appreciate the cages because they keep their animals off the cold floor and out of their own excrement. In addition, clients like the piped-in music that soothes their pets in the animal quarters.

To help them win over the zoning commission, the doctors committed to 100-percent indoor runs, and a well-designed plan for noise and odor control. Special sound-absorbing concrete blocks enclose the animal quarters, and ceilings are acoustic tile backed with sound batts. Solid-core oak doors with door sweeps also reduce sound transmission.

"We thoroughly researched the Soundblox concrete block, because we were worried that they would trap odor and moisture," Dr. Schober explains. "But the company we bought it from has used it extensively in similar situ-

COPICH
& Associates, Inc.
Registered Architects

32 years' experience
in the design of
animal related facilities

AWARD WINNING
DESIGNS
including

1991 Hospital of the year

314 Churchill-Hubbard Rd.
Youngstown, Ohio
44505-1327
216-759-0226

Circle No. 109 on Response Card

HOSPITAL DESIGN RISES TO MEET NEW CHALLENGES

As the two-day hospital design competition progressed last January, one thing became clear: The judges are paying more attention to the nontraditional entries.

"We've evolved to a point that we can say the design and scope of general practice facilities has become pretty standard," says judge Jim Rosenberger, DVM, of Cleveland, Ohio. "While veterinarians should stick with what works, we judges must start recognizing the differences in the way practices operate today."

For example, among this year's entries the judges encountered a home clinic and a specialty hospital. Although both of these practice types have been entered in previous competitions, the judges agree that this year's examples are the best they've seen; in fact, both received Merit Awards. "We're awarding these out-of-the-ordinary practices because we believe they will become more common in the future as a result of changes in the profession, and veterinarians will need a place to start for floor-plan designs," Dr. Rosenberger says.

Joining Dr. Rosenberger in the judging were Dr. Ross Clark and Architect Jim Marshall, both veteran design-competition judges, and Architect Wayne Usiak, new to the competition but an experienced designer of and lecturer on animal-care facilities. In general, the judges say that hospital design may be more important now than ever due to a stronger emphasis on marketing, as well as the economics of owning a veterinary hospital.

"I think what's happening is that more veterinarians are taking a business approach," Dr. Rosenberger says. "I believe this is a function of today's economic condition; more veterinarians today feel they have to be businesspeople first, and veterinarians second, if they are to survive.

"In design, that means we're seeing more extremes. For example, we're seeing more leased facilities, which is probably a function of location and of cost restrictions. On the other hand, we're also seeing megabuck, owner-developed leasehold projects."

Of the overall quality of the competition entries, Architect Marshall concludes: "There are so many regular, well-designed, professional clinics, that most of them, unfortunately, don't stand out of the pack to be given awards. Five years ago these clinics would have been the delightful exception; now they are the rule. The exception these days are those hospitals that go a step beyond."

WHO ENTERED WHAT?

The 41 entries in this year's competition included:

Construction type	Number of entries
New freestanding	27
Leasehold	5
Additions and alterations	6
Conversions	2
Home clinic	1

Practice type	Number of entries
Small animal	30
Mixed animal	11*

*Only five of the 11 mixed animal practices were designed to treat large animals in-hospital.

ations, and they assured us it would be no problem. It hasn't been so far, and the noise reduction is phenomenal."

Last, but far from least

The doctors might describe their success as phenomenal as well. "We've doubled our staff since opening the door," Dr. Schober says, "and our business has grown 44 percent." Dr. Schober is quick to add, however, that their success can't be attributed solely to the new building.

"Both Dr. Tunder and I feel that it's the quality of the people and the medicine in our practice that keeps our clients coming back. We haven't changed our fee structure since opening the new practice; our fees are based on the quality of medicine we provide, not on the cost of our building.

"I think that's where practitioners have to come around; they have to recognize that it's our knowledge and time that clients pay for. I don't care if you have a million-dollar practice; if you don't have a caring staff, a caring attitude, and a commitment to medicine, clients won't come back."

WANT TO ENTER?

Applications are now available for the 1992 Hospital Design Competition. To enter your hospital, request an application by writing:

VETERINARY ECONOMICS
1992 Design Competition
9073 Lenexa Dr.
Lenexa, KS 66215

BE AN ALL-PRO!!

Compliment your professional services with professional kennel equipment and accessories by Long Environmental Systems.

Long can provide prefabricated modular kennel systems of 1¼" Silk-N-Smooth® Micro Mesh® to conform to your needs, however unique; automatic feeders and watering systems; and resting benches.

Have your architect see our Sweet's Catalog 13.3 H/LO

LONG® ENVIRONMENTAL SYSTEMS

FOR INFORMATION WRITE

Long Environmental Systems

P.O. Box 187, Dept. VE ■ Gambrills, MD 21054 ■ (301) 793-0600

Circle No. **114** on Reader Response Card

C9480-1A

JUNE 1991

veterinary economics

THE MAGAZINE OF PRACTICE MANAGEMENT AND FINANCE

HOW

- TO TAKE CONTROL OF YOUR PRACTICE
- TO WRITE A BUSINESS PLAN
- TO MAKE MORE MONEY
- TO FIND AND KEEP A GOOD RECEPTIONIST
- TO BUILD A PROFITABLE NUTRITION PROGRAM
- TO COMMUNICATE WITH YOUR EMPLOYEES
- *NOT* TO PROMOTE THE PROFESSION

veterinary economics

Editor: Rebecca R. Turner

Managing Editor: Catherine C. Lumetta

Associate Editor: Kathleen A. Cyr

Design Director: Gregory B. Kindred

Art Director: Alison J. Fulton

Assistant Art Director: Mark E. Eisler

Practice Management Editor:
Ross Clark, DVM

Contributing Financial Editors:
Owen McCafferty, CPA, William J. Roll, CPA

Consulting Editor: Tracy L. Revoir, DVM

Special Assignments Editor:
Rebecca Gants

Editorial Assistant: Ruth Espy

Contributing Editors and Advisers:
Ross Ainslie, DVM
Alan F. Berger, DVM
Daniel D. Chapel, AIA
Donald R. Dooley
David P. Gallagher
Glenn F. Hoffsis, DVM
Harry James, DVM
Eleanor M. Kellon, VMD
David Lane, DVM
Herbert C. Lloyd, DVM
Marvin E. Rydberg, DVM
Peter Reardon, DVM
J.H Rosenberger, DVM
Sam E. Strahm, DVM
Milton L. Willen, DVM
James F. Wilson, DVM, JD
Thomas D. Young, DVM

Senior Vice President
Market Development: Dale Schuler

National Sales Manager: Doug Catt

Eastern Account Manager: Jed Bean

Western Account Manager:
Tracy Holmes

Inside Sales/Ad Production: Sue Weller

Ad Production Assistant: Sandy Hall

Advertising Assistant: Becky Lindblom

Circulation Manager: Helen McGraw

VMPCI

Vice President/General Manager:
Dennis M. McLaughlin

Controller/Business Manager: Cary Seem

Editorial and sales office:
9073 Lenexa Drive
Lenexa, KS 66215
(913) 492-4300

BPA ABP

VETERINARY ECONOMICS (ISSN0042-4862) is published monthly by Veterinary Medicine Publishing Co., 9073 Lenexa Drive, Lenexa, KS 66215. Telephone (913) 492-4300.
Copyright © 1991 by Veterinary Medicine Publishing Co. All rights reserved. None of the content of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means (electronic, mechanical, photocopying, recording, or otherwise) without the prior written permission of the publisher.
Printed in U.S.A. Price $6.00 a copy. $35 a year (U.S.A.). $50 a year (Canada and Mexico). $70 a year (foreign). Address correspondence to Veterinary Economics, 9073 Lenexa Drive, Lenexa, KS 66215. Second-class postage paid at Shawnee Mission, Kan. and additional entry offices. Postmaster: Send change of address notice to Veterinary Economics, 9073 Lenexa Drive, Lenexa, KS 66215.

Volume 32, Number 6

Medical Economics Publishing Co.

MEMO FROM THE EDITOR

Hello, this is Katie . . .

The phones in our office ring all day long. Many of the calls are from veterinarians; most of the conversations begin, "I was wondering if you could give me some information on how to . . ." Before they say much more, their calls are transferred to Katie Cyr. In her nearly three years with the magazine, she's become an expert in "how to," fielding questions on nearly every management topic under the sun.

As associate editor of the magazine, Katie has a more-than-full-time job before the phone even rings. She is a top-notch editor, writer, and deadline whiz who somehow juggles the phone calls in the midst of everything else. I suspect she could come into your practice and whip everything into shape in nothing flat: You'd be organized, your clients would be happy, and Katie would still be smiling.

Before you call to offer her a job, however, you need to know that Katie is just about to marry Dan, a dentist; he's going to whisk her off to Atchison, Kan., where they'll live in a neat old house they've been remodeling. Katie won't be here to answer your calls anymore, but she will continue to do as much editing and writing as we can send up to Atchison with her.

This issue of the magazine is probably a relief to Katie, not only because it's her last on the way to the altar, but because it represents so much of what she's been telling us since she began: The veterinarians who call or write, she says, want *practical, hands-on, how-to information on management.* Her reminders have guided us all along, but if you want a hefty dose of "how-to," you've come to the right place.

The next time you call, you're likely to reach our new assistant editor, Renée Anderson. As Katie did, she'll be able to listen and empathize, send you back-articles, and refer you to our consultants. Keep in mind that we're editors, not management advisors, and that our deadlines sometimes keep us from handling your questions immediately. We will, however, do everything we can to help.

I hope you'll join me in welcoming Renée (please, not too many calls right away—we don't want to scare her off!), and in wishing Katie and Dan all the best. They deserve it.

Becky Turner

Rebecca R. Turner

CONTENTS

VETERINARY ECONOMICS
VOLUME 32, NUMBER 6
JUNE 1991

34 PRACTICE MANAGEMENT

How to take control of your practice

If you don't have a strong system of internal controls, you may be losing money. Here's how to gain the upper hand—no matter what the size of your practice.

42 PRACTICE FINANCES

How to write a business plan

What separates a successful practice from a struggling one? A business plan. Here's how to chart your course for success, no matter how long you've been in practice.

52 EARNINGS

How to make more money

The author says there are three ways to make more money: raise fees, cut expenses, or "go with the flow." The latter may surprise you—and make the biggest difference in your practice income.

58 HIRING

How to find and keep a good receptionist

Receptionist turnover plagues veterinarians everywhere. Part of the problem lies in *how* you hire. Here's how to find a good receptionist—who will stay.

66 PRACTICE BUILDER

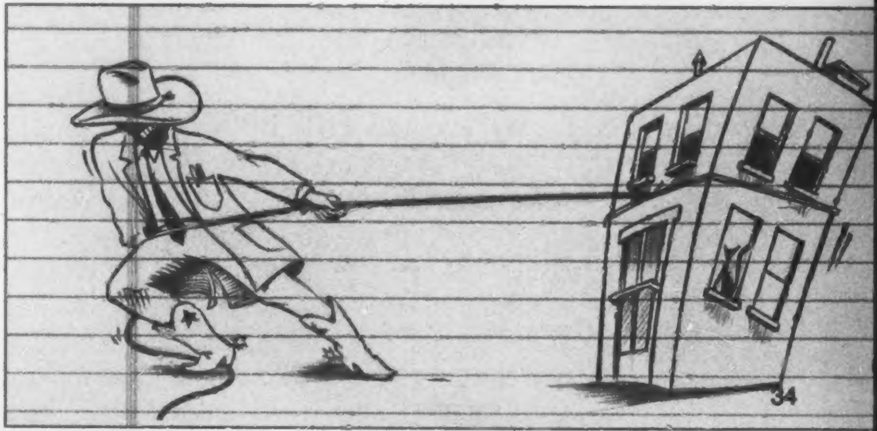
How to build a profitable nutrition program

Yes, it takes time to teach your clients about nutrition. But the payoffs outweigh the drawbacks in good medicine, client loyalty, and revenue.

74 IMAGE BUILDER

How *not* to promote the profession

Want a quick way to ruin the profession? The author offers several suggestions—all certain to damage your image as well. Are you ready (or willing) to buck these trends?



70 PERSONNEL

How to communicate with your employees

Your "open-door" policy may be slamming more doors than it opens—and seriously damaging your practice at the same time. Here's how to diagnose and treat communication problems.

Picture credits: page 84

78 HOSPITAL DESIGN

Students' winning hospitals designed for expansion

This year's student hospital design competition resulted in a first-ever tie, with teams from Kansas State and Louisiana State sharing top honors. The winners also share an eye for expansion.

DEPARTMENTS

1 Memo from the Editor
10 Success File
12 Letters to the Editor
21 Practice Management Q&A
24 Money Management Q&A
84 New for You
85 Marketplace

8 Forecasts
Effects of employee stress; innovative cow bedding; and a look at computer use in America.

10 Noteworthy
A new tax ruling for veterinary practices; a recycle-ready clinic; and food for homeless animals.

28 Marketing
Dr. Marty Becker explains how you can keep your clients from suffering "buyer's remorse."

92 Bull's Eye
This retired practitioner says the golden years are right now.

HOW TO . . . BUILD A PROFITABLE NUTRITION PROGRAM

Yes, it takes time to teach your clients about nutrition. And no, they're not going to listen every time. But the payoffs outweigh the drawbacks in good medicine, client loyalty, and revenue.

By Paris J. Revoir, DVM

My professional career recently came full circle. After practicing for a number of years, then spending several years in the pet food industry, I've come back to practice. All of a sudden, I've found myself face-to-face with a difficult question: Can I actually practice the nutrition I've been preaching to veterinarians around the country these past few years?

I've discovered the answer is "yes." Nutrition has played an important role in our practice from the minute we opened our doors. In fact, the greatest traffic we've seen comes from concerned pet owners in search of nutrition education. It only makes sense that these same clients come into the practice looking for high-quality medical care as well.

The process of converting pet owners to nutrition advocates to loyal clients is time-consuming, but well worth the effort. I'll describe how we do it below. But first, to give you a picture of our practice: We have a rather extensive retail area, stocked with several quality pet foods. We carry a selection of popular major brands—those that clients walk in and request as a result of the food companies' national advertising campaigns. We also offer other carefully selected and competitively priced brands.

Every brand we recommend and offer in our practice has been strategically selected, based on my knowledge of the many products in the pet food industry. It shouldn't take much time to figure out the best strategic mix of pet foods to offer your practice community—if you're willing to take time to visit with sales representatives from the different companies. I suggest you research the attributes *and* the shortcomings of a variety of brands.

What happens when a client requests a brand we don't carry? We offer him or her an alternative choice that, in my experience, is of similar quality, but more cost-effective to feed. And with a veterinary-based recommendation that reflects our concern both for the pet's needs and the owner's pocketbook, it isn't difficult to convert the client to these alternative pet food brands.

The "conversion" not only helps such clients' animals, it brings them back to our practice as many as 12 times per year. In fact, my ultimate goal is to have nine out

THE AUTHOR, a 1981 graduate of Michigan State University, is co-owner of PetWorks, a small animal practice in Overland Park, Kan.

of every 10 clients buying their pet foods from our practice. To make that possible, we provide a continuum of products that can be recommended for any feeding condition or philosophy.

Client encounters

I try to talk nutrition to each and every client who enters our practice. My goal: To identify the best product for their pet. I begin by asking each new client what product he or she is currently feeding. If it's one of the brands we carry, and all is well in the client's mind, I drop the subject and move on. If it's a brand we don't carry, I offer a similar-quality product at a more attractive price.

Our staff members and I also *listen* to what our clients tell us about how their pets perform on various products. Palatability, stool volume and consistency, and skin and haircoat condition are the easiest parameters to evaluate clinically. Our clients seem to truly appreciate the time we spend discussing nutrition.

A consistent message

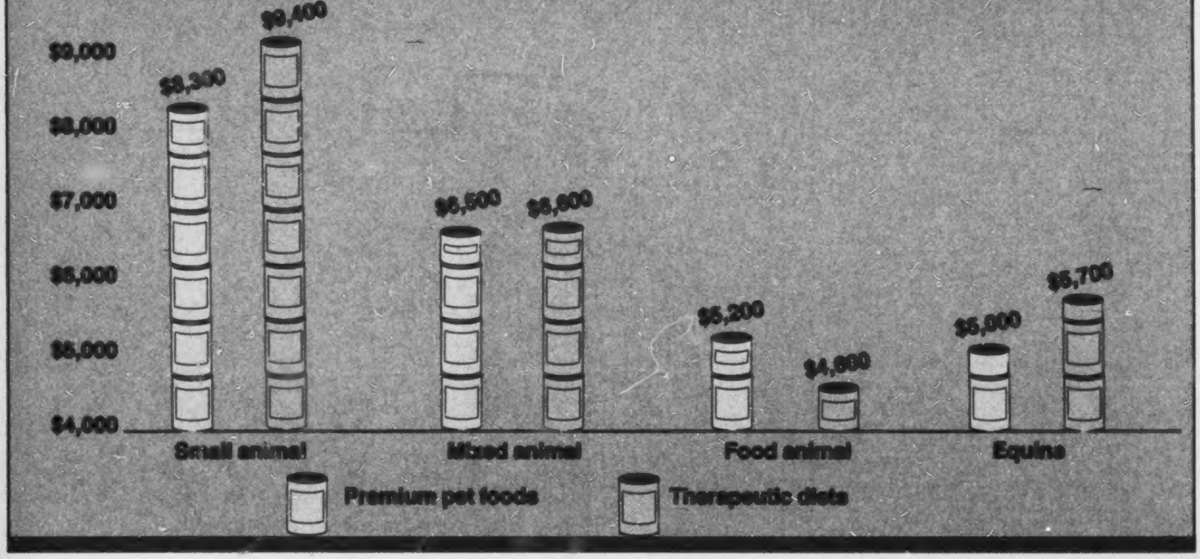
To make sure that your clients aren't getting mixed messages from your practice, it's important that you and your staff provide consistent information on nutrition. That makes "quality control" an important part of your job. To help you out, most manufacturers are happy to provide continuing in-house training programs to inform your staff of the features and benefits of their products. Ample quantities of literature are available as well.

Overcoming the obstacles

As an industry representative, the biggest complaint I used to hear from practitioners was that they didn't have the space to store bulky pet foods. I suspect that some of them simply didn't want to get involved in nutrition, but I do understand the space dilemma better now that I'm in practice. I

HOW MUCH DO YOU SPEND ON PET FOODS?

In response to a survey conducted by Signet Research of Cliffside Park, N.J., 513 veterinarians reported how much their clinics spend each year on premium pet foods and therapeutic diets for resale. Their mean responses appear below.



also see the necessity and value of being creative. We, for example, store our therapeutic diets in the back room on a two-tier steel table we procured from a restaurant that was going out of business. The table fits along the half-wall in front of our employee lounge —a space I'd never really noticed before.

As you plan or analyze your potential storage areas, carefully consider the space you give to nonprofit-producing decor: aquariums, plants, and so on. While you probably don't want to strip the place bare, keep in mind that some of the space *could* hold hundreds of pounds of pet food. Consider, too, the shelving units that most manufacturers offer. With proper inventory control and the high level of service most distributors provide, even a small amount of space can turn literally thousands of pounds a month.

Most veterinarians also worry about being perceived as "dog food salesmen." It's important to note, however, that more and more clients *want* nutrition counseling; they *want* to know the best food to feed their pets. They welcome our recommendations. And they prefer our professional advice over that they're likely to get from a pimpley-faced kid at the grocery or pet store. I believe we as veterinarians owe our clients accurate, medically correct information. The ultimate beneficiary, of course, is the pet.

Another obstacle veterinarians perceive: The low profit margin generated by pet food sales. I recommend, however, that you look beyond the margin to the larger benefits: improved client traffic and loyalty, and the opportunity to interact with your clients more frequently. Our "target market" of concerned pet owners is walking through our front door begging for information on nutrition. In responding to these client needs, we enhance the perception of our *entire* practice.

In making a decision about the amount of time and space you want to devote to nutrition, keep in mind the impact on your practice as a whole. What else will bring clients in your door every month? Such frequent visits can increase your bond with clients, and allow you to better monitor the health of your patients. ■

©1991 VETERINARY ECONOMICS

"Stop feeding him scraps from *your* table!"

Filaribits Plus®
(diethylcarbamazine citrate/oxibendazole)

Warning: 'Filaribits Plus' (diethylcarbamazine citrate/oxibendazole) Chewable Tablets have been occasionally associated with hepatic toxicity including several fatalities. Close monitoring of animals receiving this drug may identify early hepatic injury. The hepatic injury has usually been reversible upon discontinuation of 'Filaribits Plus' administration, thus dogs exhibiting signs of hepatic dysfunction should be removed from treatment immediately. Dogs with a history of liver disease or dogs receiving 'Filaribits Plus' concurrently with other potentially hepatotoxic drugs should be carefully monitored for clinical or biochemical evidence of hepatic disease.

Filaribits Plus® (brand of diethylcarbamazine citrate/oxibendazole) Chewable Tablets For Veterinary Use Only **Composition:** Each 60 mg/45 mg 'Filaribits Plus' tablet contains 60 mg diethylcarbamazine citrate and 45.36 mg oxibendazole. Each 180 mg/136 mg 'Filaribits Plus' tablet contains 180 mg diethylcarbamazine citrate and 136.1 mg oxibendazole. **Indications:** 'Filaribits Plus' are indicated for use in the prevention of infection with ***Dirofilaria immitis*** (heartworm disease) and ***Ancylostoma caninum*** (hookworm infection), in dogs. 'Filaribits Plus' are also indicated for removal and control of ***Trichuris vulpis*** (whipworm infection) and mature and immature stages of intestinal ***Toxocara canis*** (ascarid infection) in dogs. 'Filaribits Plus' may be given to dogs of all ages, including bitches, throughout the reproductive period and following whelping. **Warning:** See Warning box regarding hepatic toxicity. Dogs with established heartworm and/or hookworm infection should not receive 'Filaribits Plus' until they have been converted to a negative status by the use of appropriate adulticidal and microfilaricidal heartworm therapy and/or hookworm therapy. A dog on prophylactic therapy should be examined for the presence of heartworm microfilaria every six months. **Precautions and Side Effects:** Occasionally in dogs, hepatic dysfunction, sometimes fatal, has been reported with the use of 'Filaribits Plus.' *Clients should be instructed to report any signs and symptoms which may suggest hepatic dysfunction so that appropriate biochemical testing can be done. Signs and symptoms reported as accompanying hepatic dysfunction include anorexia, vomiting, lethargy, jaundice, weight loss, polydipsia, polyuria, ataxia and dark urine.* The use of diethylcarbamazine citrate is not recommended in dogs with active ***Dirofilaria immitis*** infections. Inadvertent administration to heartworm infected dogs may cause adverse reactions due to pulmonary occlusion. Overdosage may cause emesis. **Caution:** U.S. Federal law restricts this drug to use by or on the order of a licensed veterinarian. *Do not use in dogs that may be harboring adult heartworms.* KEEP OUT OF REACH OF CHILDREN. For Veterinary Use Only.

Filaribits®
(diethylcarbamazine citrate)

Composition: Each tablet contains diethylcarbamazine citrate, 60 mg., 120 mg. or 180 mg. **Indications:** 'Filaribits' are indicated for use in the prevention of infection with ***Dirofilaria immitis*** (heartworm disease), and as an aid in the treatment of ascarid ***(Toxocara canis*** and ***Toxascaris leonina)*** infections in dogs. 'Filaribits' may be given to dogs of all ages including bitches throughout the reproductive period and following whelping. **Precautions and Side Effects:** The use of diethylcarbamazine citrate is not recommended in dogs with active ***D. immitis*** infections. Inadvertent administration to heartworm infested dogs may cause adverse reactions due to pulmonary occlusion. Overdosage may cause emesis. The compound causes no cumulative toxic effects. **Warning:** Dogs with established heartworm infections should not receive 'Filaribits' until they have been converted to a negative status by the use of adulticidal and microfilaricidal drugs. A dog on prophylactic therapy should be examined for the presence of microfilaria every six months. **Caution:** U.S. Federal law restricts this drug to use by or on the order of a licensed veterinarian. *Do not use in dogs that may be harboring adult heartworms.* KEEP OUT OF REACH OF CHILDREN. For Veterinary Use Only.

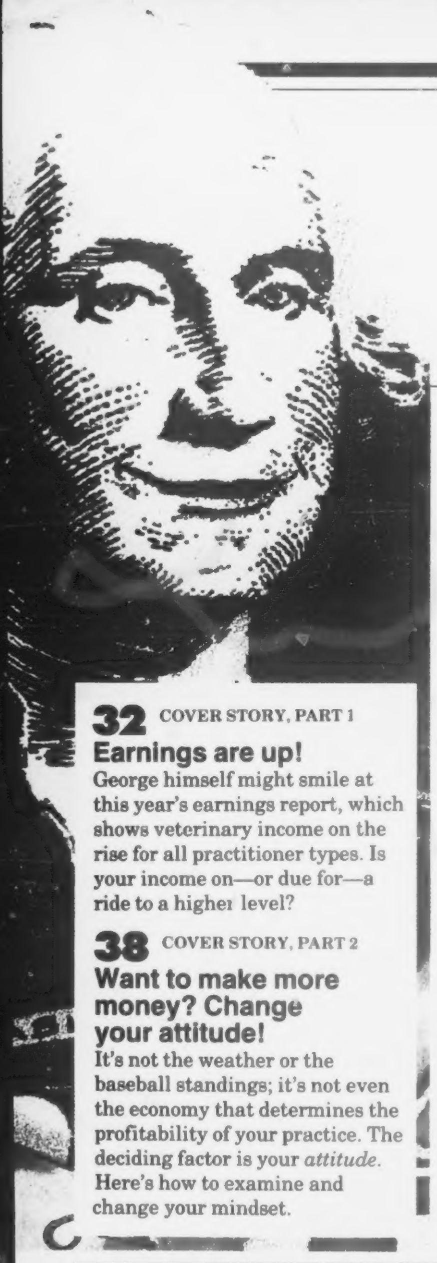
© 1991 SmithKline Beecham Animal Health 0-1716

ARNINGS ARE UP!
WASHINGTON

******MIXED STATES PACKAGE
00236
2 E11007 11DEC91 2 1IN0 7
STATISTICAL REFER INDEX
#800
4520 EAST-WEST HWY
BETHESDA MD 20814

CONTENTS

VETERINARY ECONOMICS
VOLUME 32, NUMBER 9
SEPTEMBER 1991



30 SPECIAL REPORT

Setting a new standard for practice management

Dr. Ray Russell, the newly appointed director of the Hill's National Center for Practice Management at Kansas State, says he hopes to produce "a new crop of leaders" for veterinary medicine.

32 COVER STORY, PART 1

Earnings are up!

George himself might smile at this year's earnings report, which shows veterinary income on the rise for all practitioner types. Is your income on—or due for—a ride to a higher level?

38 COVER STORY, PART 2

Want to make more money? Change your attitude!

It's not the weather or the baseball standings; it's not even the economy that determines the profitability of your practice. The deciding factor is your *attitude*. Here's how to examine and change your mindset.

48 PERSONNEL

Why won't they talk to you?

Are you *really* listening when your employees try to talk to you? Or are you preoccupied with other matters? Before you silence your staff members altogether, consider these pointers on effective listening and communication.

50 PRACTICE FINANCES

Is the price right for this practice?

When buying a practice, it's important to seek professional counsel and to evaluate your potential purchase systematically.

56 CLIENT RELATIONS

Does your clinic pass client inspection?

What crosses your clients' minds when they cross your doorstep? To discover how comfortable, convenient, and efficient your clinic is, step into your clients' shoes. Their priorities may surprise you.

62 HOSPITAL DESIGN

Home-based practice provides the best of both worlds

To meet her medical and lifestyle goals, Dr. Julia Johnson built an award-winning facility in her home. Here's how she overcame the obstacles to establish a client-pleasing, busy practice.

68 PRACTICE BUILDERS

A walk on the wild side

Ready for an extraordinary patient or two—say an alligator, a parrot, or a ferret? How about a cougar or a boa constrictor? These practitioners say it's well worth the effort to welcome exotics to your practice.

Picture credits: page 83

DEPARTMENTS

6 Memo from the Editor
10 Noteworthy
10 Success File
14 Letters to the Editor
16 Practice Management Q&A
20 Money Management Q&A
67 Design Notes
80 New for You
84 Marketplace

22 Practice Tips
When clients have bad days, their pets may be anxious as well. Here's how a little sensitivity can put them at ease.

24 Marketing
The first five seconds is critical. Here's how to achieve top-notch telephone communication in your practice.

76 Client Relations
Everybody wants your clients' attention. To make sure you're not lost in the shuffle, plant these client-pleasing "seeds."

90 Bull's Eye
This veterinarian says the secret to personal and professional success requires reprogramming your subconscious mind.

MEMO FROM THE EDITOR

Go ahead, feel good about yourself

First of all, I want to thank you for earning so much more money this year. We were running out of depressing titles for our annual report. Consider this stretch:

- 1986: "Earnings: Hunting bigger gain"
- 1987: "Earnings: Will they dance again?"
- 1988: "Earnings: Sparce growth in a dry year"

By 1989, we gave up being descriptive altogether, and just labeled the issue "Earnings." What a delight to finally be able to say, without any hesitation, "Earnings are up."

As you'll see in this month's cover story, Don Dooley says the credit goes to your attitude, and if you want to make even more money, that's where you should look. Why not, then, take the good news about your income and run with it? Use the momentum to feel good about what you do, to join your clients in their belief that you perform a valuable, life-giving service. From this moment on, give yourself a break and stop making decisions for the people who entrust their animals to you. Take confidence in your abilities, and offer every client you see today *everything* his or her animal needs to lead a longer, healthier life.

Don't let this opportunity to change your attitude pass you by. If your income is below the figures shown in this issue, now you know what's possible. If your income surpasses our tables, keep up the good work—we plan to write a positive headline next year, too. And if you need one more boost, see page 10 for excerpts from the speech ABC news correspondent Roger Caras gave at the recent AVMA meeting. He doesn't mince words in his admiration for veterinarians—or in his belief that your self-esteem isn't where it should be.

As he said, "Hey people, if you are not very, very proud of your profession and your accomplishments, and are not really gung-ho, bright-eyed, and bushy-tailed about the future of your profession, how are outsiders supposed to feel about you?" Don't give those outsiders an opportunity to feel anything but thanks and admiration.

Becky Turner

Rebecca R. Turner

veterinary economics

Editor: Rebecca R. Turner

Managing Editor: Catherine C. Lumetta

Assistant Editor: Renée Anderson

Design Director: Gregory B. Kindred

Art Director: Alison J. Fulton

Assistant Art Director: Mark E. Eisler

Special Assignments Editors:
Kathleen A. Cyr, Rebecca Gants

Practice Management Editor:
Ross Clark, DVM

Contributing Financial Editors:
Owen McCafferty, CPA, William J. Roll, CPA

Consulting Editor: Tracy L. Revoir, DVM

Editorial Assistant: Ruth Espy

Contributing Editors and Advisers:
Ross Ainslie, DVM
Alan F. Berger, DVM
Daniel D. Chapel, AIA
Donald R. Dooley
David P. Gallagher
Glenn F. Hoffsis, DVM
Harry James, DVM
Eleanor M. Kellon, VMD
David Lane, DVM
Herbert C. Lloyd, DVM
Marvin E. Rydberg, DVM
Peter Reardon, DVM
J.H Rosenberger, DVM
Sam E. Strahm, DVM
Milton L. Willen, DVM
James F. Wilson, DVM, JD
Thomas D. Young, DVM

National Sales Manager: Doug Catt

Eastern Account Manager: Jed Bean

Western Account Manager:
Terry Reilly

Inside Sales/Ad Production: Sue Weller

Ad Production Assistant: Sandy Hall

Advertising Assistant: Becky Lindblom

Circulation Manager: Helen McGraw

VMPCI

Vice President/General Manager:
Dennis M. McLaughlin

Controller/Business Manager: Cary Seem

Editorial and sales office:
9073 Lenexa Drive
Lenexa, KS 66215
(913) 492-4300

BPA ABP

VETERINARY ECONOMICS (ISSN0042-4862) is published monthly by Veterinary Medicine Publishing Co., 9073 Lenexa Drive, Lenexa, KS 66215. Telephone (913) 492-4300. Copyright © 1991 by Veterinary Medicine Publishing Co. All rights reserved. None of the content of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means (electronic, mechanical, photocopying, recording, or otherwise) without the prior written permission of the publisher. Printed in U.S.A. Price $6.00 a copy. $35 a year (U.S.A.). $50 a year (Canada and Mexico). $70 a year (foreign). Address correspondence to Veterinary Economics, 9073 Lenexa Drive, Lenexa, KS 66215. Second-class postage paid at Shawnee Mission, Kan. and additional entry offices. Postmaster: Send change of address notice to Veterinary Economics, 9073 Lenexa Drive, Lenexa, KS 66215.

Volume 32, Number 9

Medical Economics Publishing Co.

EARNINGS ARE UP!

George himself might smile at this year's earnings report, which shows veterinary income on the rise for all practitioner types. Is your income on —or due for—a ride to a higher level?

It's that time again—time for our annual report on veterinary income. As you probably know by now, earnings are up nationwide. It's also time for you and your colleagues to ask how we obtain this information—and why it may not reflect what is happening in your own practice.

Every fact and figure in this report is based on what 1,200 practicing veterinarians told us about themselves and about their income. The survey, commissioned annually by VETERINARY ECONOMICS, is conducted by Signet Research Inc., a New Jersey company touted as "a shining leader in the marketing research business."

If you don't fit neatly into the charts, keep in mind that the figures are *averages*. For example, the mean net income for all practitioners is $56,700, but as you'll see in the chart on page 45, there are doctors earning less than $15,000, more than $125,000, and every amount in between. In other words, no matter where you stand, you're not alone.

To conduct the annual survey, Signet began with a list of 2,500 veterinarians, selected on an nth name basis from our subscriber lists. The doctors were chosen both by practice type and region: we sent surveys to small animal, large animal, mixed animal, and equine doctors; and to those in each of the regions outlined on page 35.

Signet mailed the questionnaires on April 4, 1991, with a $1 incentive and a postage-paid reply envelope. Eighty were returned as undeliverable, leaving a net mailing of 2,420 surveys. Signet sent a second mailing to non-respondents on May 17, this time without the incentive. By mid-June, 1,200 returns had been received, for a 50-percent response rate. The returns were then weighted to reflect the proportionate composition of the VETERINARY ECONOMICS circulation by practice type and geographic region. The results can be accepted as accurate to within ±3 percent, at a 95-percent confidence level.

Who told us what?

Who are the veterinarians who responded to our survey? Most of them are men (76.5 percent), although the percentage of women in practice is clearly on the rise. In VETERINARY ECONOMICS' 1985 survey report, for example, only 12.1 percent of the responses came from women veterinarians.

Of this year's respondents, 48.6 percent are solo practitioners; 24.4 percent are partners in multidoctor practices; 28.1 percent are employee doctors (non-owners); and 0.7 percent identified their business status as "other."

On average, the doctors profiled here have been in practice for 14.3 years; their "active" clients—those who come in at least one time each year—number 3,652. Each week, these doctors see 75.4 clients and work 52.1 hours.

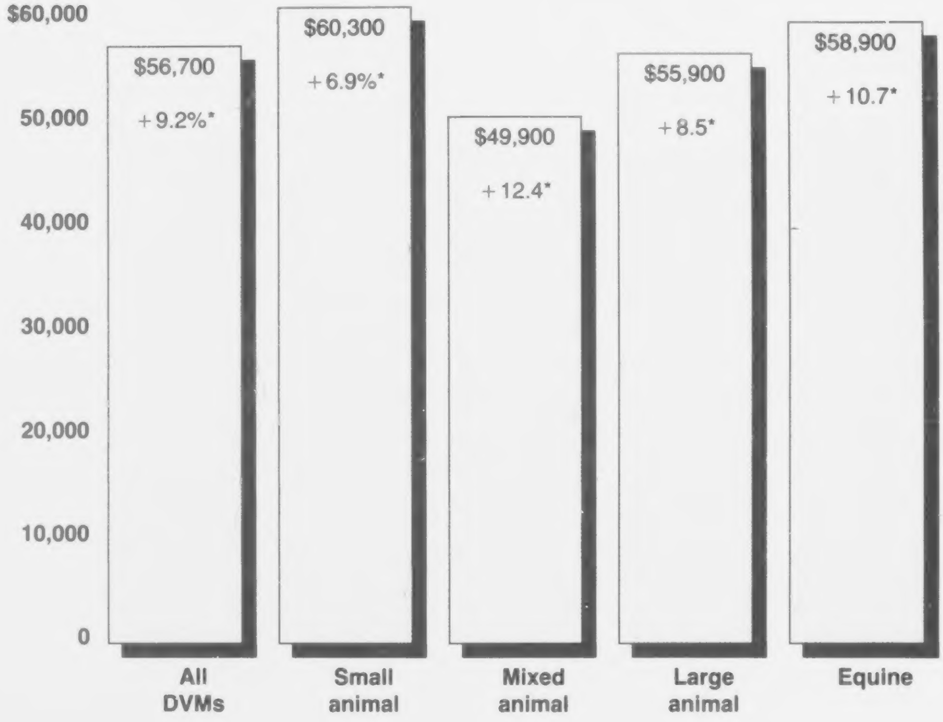
What are they asked?

In addition to demographic questions, the veterinarians are asked questions about their earnings, fees, and expenses. The earnings questions are as follows: 1. Which of the following best describes the 1990 gross income you *personally* produced for the practice?

2. Which of the following best describes your personal 1990 net income from practice? (Please include only your take-home pay, before personal taxes. Do not include profits you reinvest in the practice.) 3. Which of the following best describes your practice's total 1990 gross practice income?

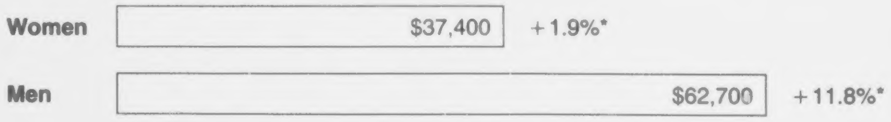
For a detailed look at the collected data, see the charts that follow. The fees report will appear in the October issue; the expenses report is scheduled for November. ▶

SMALL ANIMAL DOCTORS LEAD IN 1990 NET, MIXED ANIMAL MAKE GREATEST GAINS



A NOTE ON NET Net income information is obtained via the following survey question: "Which of the following salary ranges best describes your personal 1990 net income from practice? (Please include only your take-home pay, before income taxes. Do not include profits you reinvest in practice.)"

WOMEN DVMs' NET INCOME STILL OFF THE PACE

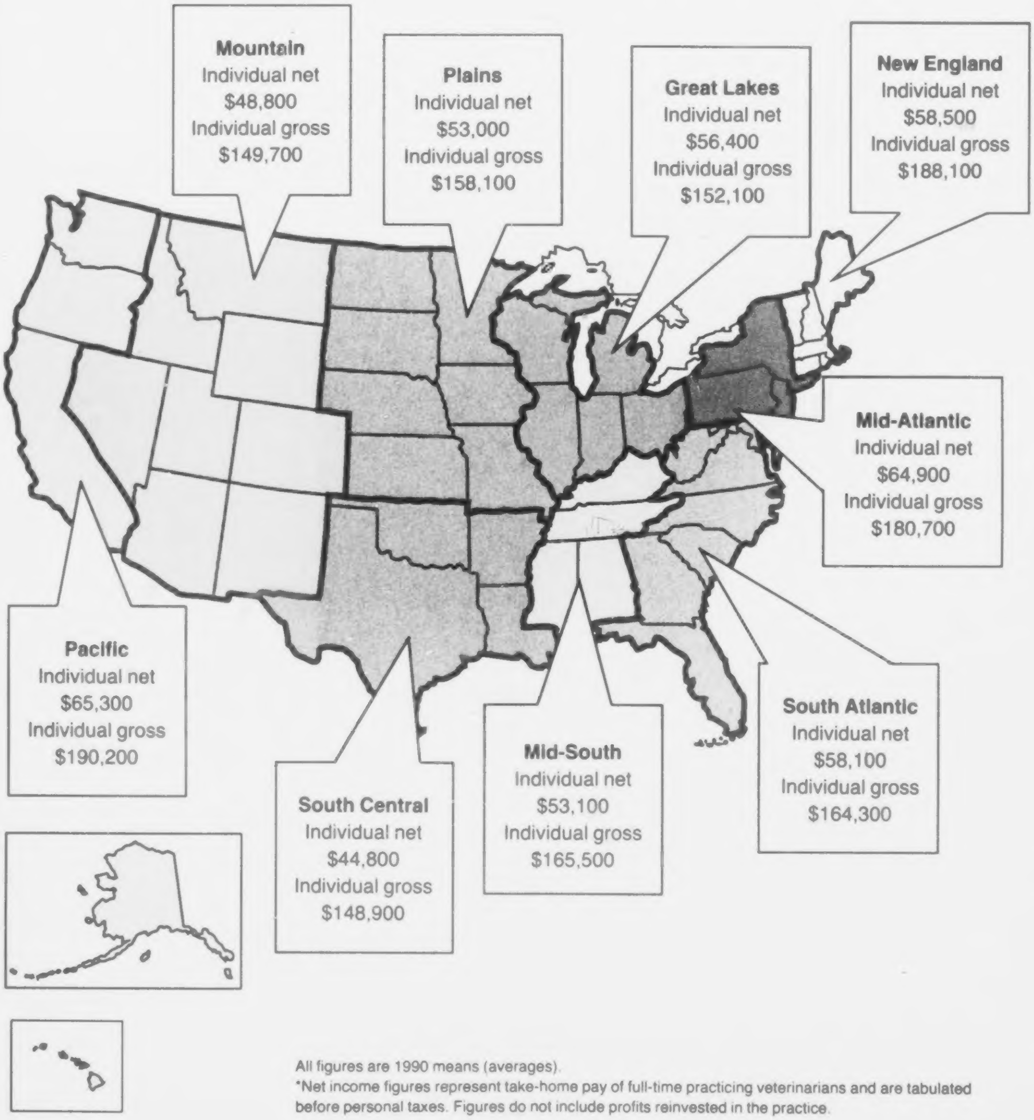


All figures are 1990 means (averages). Base: full-time practicing veterinarians.

*Percent increase over 1989 figures.

PACIFIC DVMs LEAD THE WAY IN NET AND GROSS INCOME

Providing ranges for respondents, we asked the following questions: *Which of the following best describes your personal 1990 net income from practice?** and *Which of the following best describes the 1990 gross income you personally produced for the practice?* The chart below shows the average answers provided by full-time practitioners of all practice types in the given regions.


Mountain
Individual net
$48,800
Individual gross
$149,700
Plains
Individual net
$53,000
Individual gross
$158,100
Great Lakes
Individual net
$56,400
Individual gross
$152,100
New England
Individual net
$58,500
Individual gross
$188,100
Mid-Atlantic
Individual net
$64,900
Individual gross
$180,700
Pacific
Individual net
$65,300
Individual gross
$190,200
South Central
Individual net
$44,800
Individual gross
$148,900
Mid-South
Individual net
$53,100
Individual gross
$165,500
South Atlantic
Individual net
$58,100
Individual gross
$164,300

All figures are 1990 means (averages).

*Net income figures represent take-home pay of full-time practicing veterinarians and are tabulated before personal taxes. Figures do not include profits reinvested in the practice.

WASHINGTON

WANT TO MAKE MORE MONEY? CHANGE YOUR ATTITUDE!

It's not the weather or the baseball standings; it's not even the economy that determines the profitability of your practice. The deciding factor is your *attitude*. Here's how to examine and change your mindset.

By Donald R. Dooley

What makes a practice profitable? Location? The economy? The weather? Maybe, but no matter what role these or other factors play, *nothing* influences the profitability of a veterinary practice more than the attitude of the veterinarians who work there. Your role is especially acute if you're the owner.

Do outside forces have any impact? Yes—but that impact also is determined by your attitude. For example, your *perception* of the local economy strongly influences your attitude. If you decide that clients can't pay you, you probably won't give them the option; instead you'll cut back on what you offer. Another veterinarian in the same economy may decide to offer full services *despite* the economy—and thrive. The difference is attitude, not the economy.

Profitability is determined by a simple equation: Gross income minus expenses equals profit. What most veterinarians don't realize, however, is that you actually *choose* your income and expenses, and therefore your profit. The amount you choose depends on your attitude.

Let me explain. Your attitude about veterinary medicine is a choice. You weren't born with this attitude; you developed it as you went along. The good news, then, is that you can change your attitude. If your practice isn't as profitable as you'd like it to be, you have the power to rethink your attitude, as do the other veterinarians in your practice.

Where to start? With your clients. I believe that the primary factor influencing the amount of income generated in your practice is your attitude toward your clients and their pets. Among the negative attitudes I've seen in practices throughout the country:

- Pets are a luxury that most

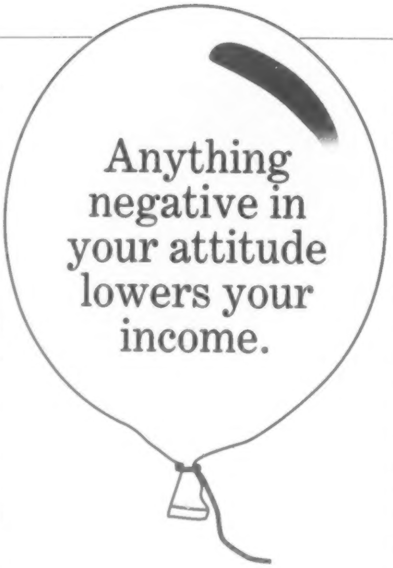
THE AUTHOR is a veterinary practice management consultant in Los Gatos, Calif.

pet owners truly can't afford.

- Many pet owners are irresponsible and can't afford proper care for their pets anyway.
- Pet owners care only about the cost of veterinary services, not about quality medicine.
- Most pet owners are elderly, unemployed, financially over-extended, or just plain poor.

I've also seen positive attitudes alive and well in some practices. Among them:

- Pet owners are financially able to pay for quality medicine.
- Many pet owners are very responsible, and want to provide their pets with the best health care available, regardless of cost.
- Pet owners aren't concerned about the cost; they just want what is best for their pets.
- Pet owners really are intelligent enough to understand and desire quality medicine when it's offered and explained to them.
- To most pet owners, pets are a real necessity, and they plan their finances so they can afford the best veterinary care available.



> Anything negative in your attitude lowers your income.

As you can probably tell, each of these attitudes comes with a price tag. If you subscribe to the first set of attitudes and believe that "pets have little value and clients can't afford them," you'll place little value—and low fees—on your own services. If you believe that pets have value and that their owners want to care for them, you'll place a much higher value on your services. The moral? The more positive the attitude, the more profitable your practice. Anything negative in your attitude toward clients and pets lowers your practice's gross income—and thus its profitability.

Taking pride in your medicine

The next step is to tackle the second part of the equation: your expenses. I believe that your attitude toward expenses indicates

PRACTICE INCOME

PRACTICE INCOME UP ACROSS THE BOARD

Practice type	Practice income*	Increase**	DVMs per practice
All DVMs	$433,000	19.0%	2.7
Small animal	$463,500	17.2%	2.8
Mixed animal	$384,100	20.3%	2.5
Large animal	$430,200	22.4%	2.7
Equine	$384,600	17.3%	2.7

All figures are 1990 means (averages). Base: full-time practicing veterinarians.
*Total gross practice income.
**Percent increase above 1989 figures.

the quality of medicine you wish to practice. If, for example, you are determined to keep your expenses to the bare minimum, you have effectively chosen to practice low-end medicine. Why? Because quality medicine *requires* high expenses. To practice such medicine, you need more and better equipment, a good staff, and high-quality drugs and supplies—all of which are expensive.

High-quality medicine also consumes more time: more time with clients to get better histories, more time with animals to confirm accurate diagnoses, and more time afterward to explain to clients what was and will be done to treat their animals. Re-checks and follow-up phone calls tick away even more time. This temporal expense to practice high-quality medicine means that fewer clients are seen by each doctor, and that the cost per client is greater.

You are, of course, free to practice the level of medicine you choose, within certain limitations. And I've found that most veterinarians have a comfort zone with regard to the quality of medicine they want to maintain. The bottom line, however, is that the higher the quality level, the greater the effort—and subsequently, the higher the cost.

Some practitioners set out to prove this theory false—to practice high-quality medicine and cut costs at the same time. Most of their efforts are short-lived. Why? Because these actions stem from contradictory attitudes. Eventually, either the quality of medicine will get better and the costs will go up, or the cost-cutting will reduce the quality of medicine. If the latter happens, the lower quality of medicine will become obvious to everyone except the doctor who is pretending to be diligent. You can practice good medicine or cheap medicine, but there really is no good, cheap medicine.

How does your attitude toward expenses and quality affect your profit? It doesn't. In fact, expenses probably have the least effect on profitability. A practice with high costs may have high or low profits; the same is true for a practice with lost costs. Generally speaking, however, higher profits, especially in dollars rather than percentages, are associated with high-quality, high-cost practices.

Working the equation

How, then, do you plug your attitude into a profit equation? Consider the chart below:

The best match-up is high-quality medicine and a very positive attitude toward clients and their pets. Not only will you profit, you'll enjoy yourself. Medical work you can be proud of, combined with clients you consider a pleasure, make for a great career. Unfortunately, only 2 to 5 percent of today's practitioners have chosen this combination and are enjoying the results.

What about the rest?

The vast majority of veterinarians have chosen the second combination of attitudes: They practice the best quality of medicine they're capable of, but their attitude toward clients and pets keeps them from charging adequately to support that quality. Compared to the rest of the economy and their own practice's potential, the result can best be described as a financial disaster. If you find yourself in this category, you can at

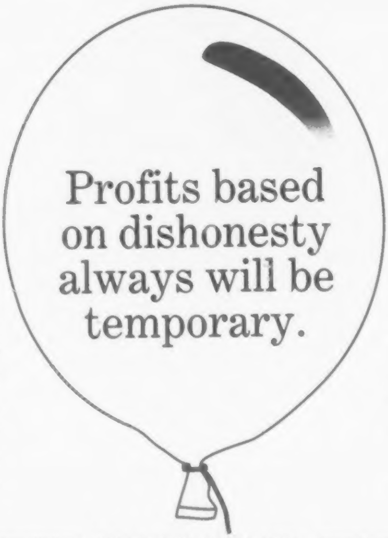
DOOLEY'S PROFIT EQUATIONS

High-quality medicine + Positive attitude toward clients and pets = High profits

High-quality medicine + Negative attitude toward clients and pets = Low profits, if any

Low-quality medicine + Positive attitude toward clients and pets = Temporarily high profits

Low-quality medicine + Negative attitude toward clients and pets = Adequate profits, for a while



Profits based on dishonesty always will be temporary.

least take some comfort in the size of the group.

Veterinarians who practice low-quality medicine but charge as if their clients would pay any price will make a decent profit —but only for a while. Why? Because the combination is dishonest. Charging a great deal for low-quality, low-cost medicine can't be maintained without pet owners eventually wising up. Profits based on dishonesty have been, and always will be, temporary. Fortunately, this combination of attitudes is rare in this profession.

A more honest approach is to provide lower quality medicine at

INDIVIDUAL INCOME

WHERE DO YOU STAND IN THE RANKINGS?

Individual gross income	Percent of practitioners
$250,000 or more	10.8
$200,000-$249,999	14.8
$180,000-$199,999	9.8
$160,000-$179,999	9.4
$150,000-$159,999	8.2
$130,000-$149,999	11.9
$110,000-$129,999	10.8
$90,000-$109,999	8.6
$70,000-$89,999	5.8
$60,000-$69,999	2.2
$50,000-$59,999	2.2
$30,000-$49,999	3.9
Less than $30,000	1.6
Mean: $166,300	

Individual net income	Percent of practitioners
$125,000 or more	5.3
$100,000-$124,999	6.2
$80,000-$99,999	5.7
$70,000-$79,999	8.9
$60,000-$69,999	6.8
$50,000-$59,999	10.7
$40,000-$49,999	13.7
$30,000-$39,999	21.2
$20,000-$29,999	14.1
$15,000-$19,999	4.5
Less than $15,000	3.0
Mean: $56,700	

All figures are 1990 means (averages).
Net income figures represent take-home pay of full-time practicing veterinarians and are tabulated before personal taxes. Figures do not include profits reinvested in the practice.
Gross income figures represent gross income produced by individual, full-time practitioners.

NET INCOME

PARTNERS EARN THE MOST

Joining forces with other veterinarians appears to pay off; partners in multidoctor practices report net income almost 18 percent higher than their solo counterparts.

Business status	Net income
Partner in multidoctor practice	$71,500
Solo practitioner	$60,700
Employee DVM (non-owner)	$36,800

All figures are 1990 means (averages).
Net income figures represent take-home pay of full-time practicing veterinarians and are tabulated before personal taxes. Figures do not include profits reinvested in the practice.

PRACTICE GROSS

INCOME GROWS WITH CLIENT BASE

The more clients, the bigger your practice gross. Here, "active" clients are defined as those who have visited the practice at least once in the last year.

Active clients	Total practice gross
Fewer than 1,000	$258,000
1,000–1,999	$286,400
2,000–2,999	$305,900
3,000–3,999	$432,800
4,000 or more	$682,500

All figures are 1990 means (averages).
Base: full-time practicing veterinarians.

a lower cost. That way, at least the attitudes are consistent and probably honest. If you claim to practice low-quality medicine and charge accordingly, you'll make a profit serving a small segment of the market. Your profit, however, will only be "adequate for a while" because this type of practice isn't very enjoyable. Not surprisingly, it attracts clients who support your attitude about "cheap clients and their stupid pets." Providing medicine you can't take pride in, and dealing with truly negative clients, isn't a pleasant way to spend a career.

Smile, and the world smiles...

If you want the highest possible profit and most enjoyment out of practice, examine your attitudes —then adjust them. If your attitude toward medicine is to provide high-quality medicine, leave it alone. Don't succumb to the temptation to lower the quality of medicine in order to reduce your expenses; doing so simply won't bring in enough profit to justify the loss of enjoyment you're likely to experience.

Keep in mind, too, that positive attitudes aren't necessarily easy. Even veterinarians who've chosen to practice high-quality medicine and be positive about clients have to work every day at maintaining those attitudes. They will tell you, however, that doing so is well worth the effort.

Remember, too, that your attitudes toward medicine, clients, and pets are acquired. They were either taught to you by mentors, by experience, or by a combination of the two. It's also likely that your negative attitudes are based on beliefs that have no foundation. For example, most of what your mentors taught you about clients was based on *their* perceptions and confirmed by anecdotal evidence. One erroneous perception can launch a vicious cycle: Consider, for example, the doctor with a negative attitude about clients whose beliefs are reinforced whenever a client reacts negatively. The catch: The client is usually being *treated* negatively.

Unfortunately, established attitudes, like old habits, are hard to change. An improved practice, however, is pretty good incentive for putting forth the effort necessary to better your attitude toward clients. In most practices, simply choosing to upgrade the attitude toward clients will generate an additional $25,000 to $50,000 profit per veterinarian. If you make this choice and establish the corresponding attitude change, the increased income may continue for the rest of your career. Very few bad attitudes are worth preserving at that cost.

As I've said, practice income reflects your attitude toward clients. Practice expenses reflect your attitude toward medicine. By choosing these attitudes carefully and matching them correctly, you can dramatically increase both the profitability of your practice and your enjoyment of it. These choices aren't necessarily easy, but *all* practitioners are capable of making them. ■

NET INCOME

MORE TRAFFIC, MORE MONEY

As you might expect, veterinarians who see the most clients per week bring home the highest net income. Client visits include in-office visits as well as house and farm calls.

Net income	Client visits per week
Less than $30,000	57.8
$30,000–$49,000	70.6
$50,000–$69,000	76.9
More than $70,000	97.6

All figures are 1990 means (averages).
Net income figures represent take-home pay of full-time practicing veterinarians and are tabulated before personal taxes. Figures do not include profits reinvested in the practice.

GROSS INCOME/NET INCOME

WHAT YOU MAKE—AND WHEN

Years in practice	Gross	Net
Less than 2	$112,700	$31,200
3–5	$145,400	$35,700
6–10	$165,200	$49,400
11–20	$183,400	$67,000
21 or more	$173,300	$71,900

All figures are 1990 means (averages).
Net income figures represent take-home pay of full-time practicing veterinarians and are tabulated before personal taxes. Figures do not include profits reinvested in the practice.
Gross income figures represent gross income produced by individual, full-time practitioners.

cine as much as you do. To train his staff, Dr. King shares information about exotic species, then teaches restraint techniques and treatment procedures.

Dr. Campbell helps her lay staff become comfortable with exotics by bringing some of the 30 birds she owns into the clinic. She also discusses with the two technicians on her staff such topics as forced feedings and medications.

Dr. Willard Nelson, who treats only exotics at The Exotic Pet and Bird Clinic in Kirkland, Wash., used his word processor to develop an operations manual, which consists of 75 sections. Topics range from declawing big cats to preparing for abdominal surgery on rabbits. The manual includes diagrams from other sources and acts as a ready-reference guide for Dr. Nelson and his staff members; its contents are alphabetically indexed according to subject, saving valuable staff time.

AVIAN OPPORTUNITY: ROOM TO FLY

Pet-bird population	**12.9 million**
Percent of households owning birds	**5.7**
Number of households owning birds	**5.2 million**
Percent of bird owners who obtain veterinary care	**7.6**
Annual veterinary expenditures for avians*	**$26.2 million**
Percent of bird owners who own a dog	**65**
Percent of bird owners who own a cat	**47**

Source: *The Veterinary Services Market for Companion Animals*, prepared for the AVMA by the Charles, Charles Research Group, 1988.

*Bird-exclusive owners only

The doctors agree that the decision to add exotics to any practice is likely to place added demands on staff members. In response to her practice growth, Dr. Campbell plans to hire a third technician and double the number of receptionists from two to four.

Equipment requirements

In most cases, exotic medicine also requires new equipment. For example, to work with the smaller exotics, such as birds and rodents, Dr. Stunkard says you'll need a gram scale. "We use a gram scale on anything under one to two pounds, so we can weigh it to the nearest tenth of a gram," he says.

Dr. Campbell says that avian practitioners also need incubators, mosquito hemastats, ophthalmic scissors, see-through surgical drapes, laproscopes, and X-rays with high-detail screens. If you plan to treat big cats, Dr. Nelson says that squeeze cages, dart guns, and pole syringes are a necessity.

Despite the requirements, standard veterinary equipment works just fine in some situations: A dog-size bathtub, for example, would work well for exotic necropsies, or to clean equipment, Dr. Nelson says. To handle the two or so cougar surgeries he performs a year, he uses standard dog tables, although the big cats hang over the sides a little. To restrain her feathered patients, Dr. Campbell uses paper towels, Handi Wipes, or lightweight sheets.

Clinic design is important, too. ▶

Please your employees with a merit review system

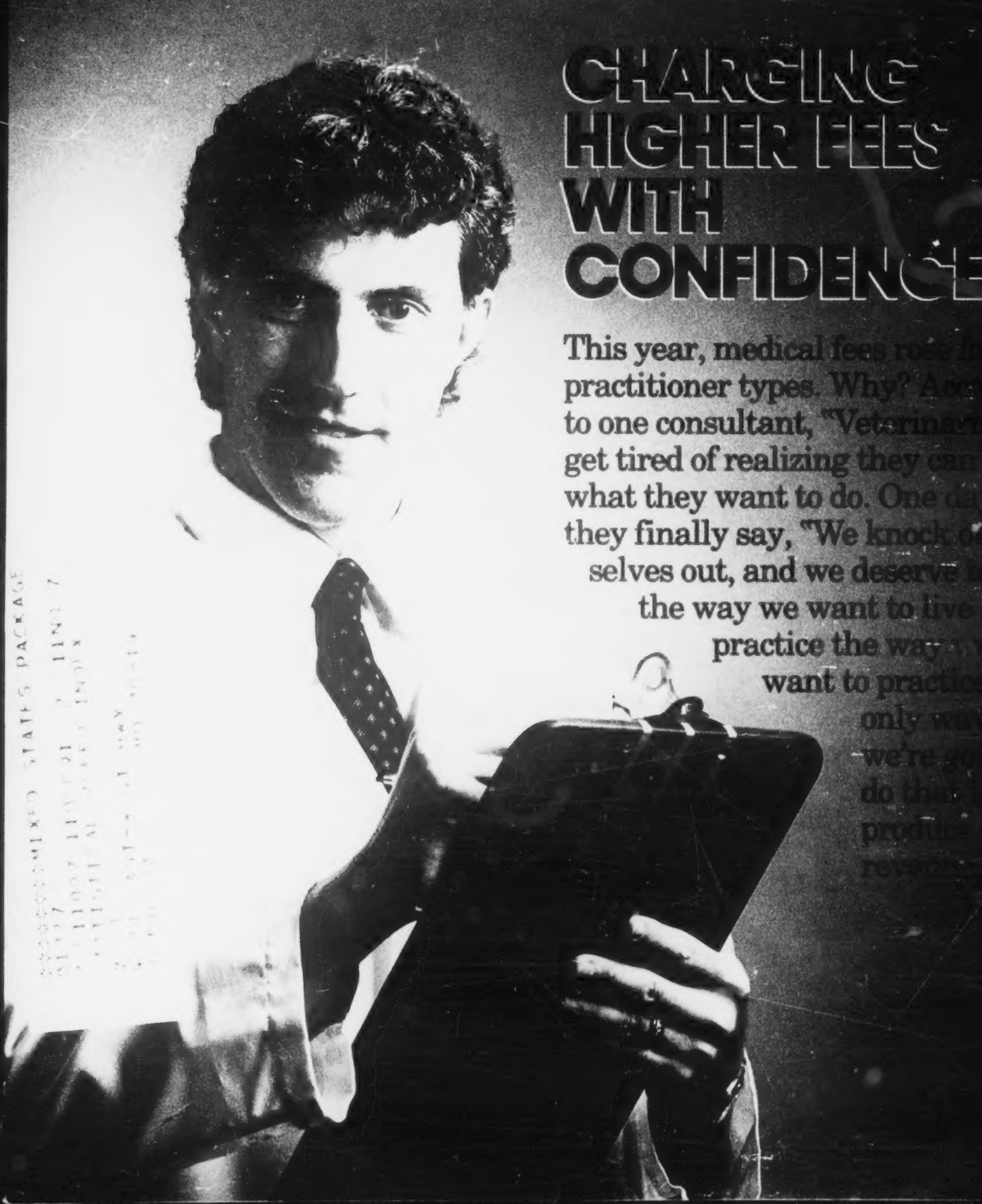
Resist the temptation to offer plan "B"

LARGE ANIMAL
JUMP 24 PERCE
SEE SURVEY RESULTS, P

OCTOBER 1991

veterinary economics

THE MAGAZINE OF PRACTICE MANAGEMENT AND FINANCE



CHARGING HIGHER FEES WITH CONFIDENCE

This year, medical fees rose fo
practitioner types. Why? Acco
to one consultant, "Veterinar
get tired of realizing they can
what they want to do. One day,
they finally say, "We knock our-
selves out, and we deserve to li
the way we want to live
practice the way
want to practice.
only way
we're goi
do tha
produ
reven

CONTENTS

VETERINARY ECONOMICS
VOLUME 32, NUMBER 10
OCTOBER 1991

22 COMMENTARY

Resist the temptation to offer "plan B"

Offering your clients less-expensive treatment options leads to nothing but trouble. Take it from this practitioner—he should know.

46 HOSPITAL DESIGN

Clients are invited to the *back* of this hospital

A "rear-door" traffic pattern allows clients to view the treatment area of Dr. Alfred Brooks' 6,477-square-foot, award-winning hospital.

52 CLIENT RELATIONS

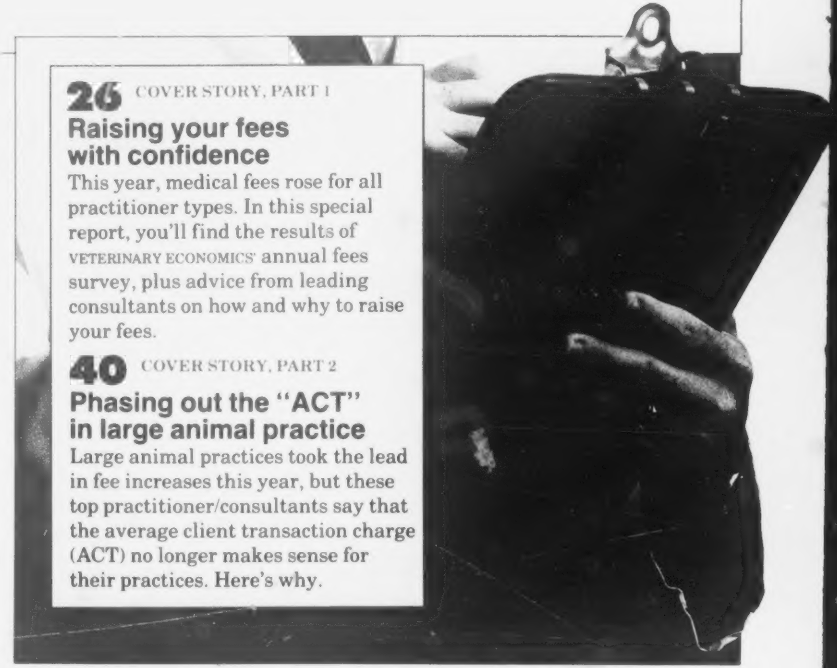
"We did everything the other doctor told us to do"

Do your clients stretch the truth about their pets' care? Dr. Jacob Antelyes offers a diplomatic road map around the white lies.

56 PERSONNEL

Please your staff with a merit review system

How do you fairly evaluate employees who perform dissimilar duties? With a carefully crafted, dynamic review system.



26 COVER STORY, PART 1

Raising your fees with confidence

This year, medical fees rose for all practitioner types. In this special report, you'll find the results of VETERINARY ECONOMICS' annual fees survey, plus advice from leading consultants on how and why to raise your fees.

40 COVER STORY, PART 2

Phasing out the "ACT" in large animal practice

Large animal practices took the lead in fee increases this year, but these top practitioner/consultants say that the average client transaction charge (ACT) no longer makes sense for their practices. Here's why.

62 PRACTICE TIPS

Fine-tune your mailings for maximum results

No matter how much effort you put into client correspondence, your mailings won't be effective if clients never read or receive them. Here's how to put design and your post office to work for you.

66 COLLECTIONS

Get tough or go broke: A look at mixed animal collections

Collections plague all practitioners, but the problem may be worse for mixed animal doctors. Here's how a few of your colleagues approach and solve this dilemma.

DEPARTMENTS

4 **Memo from the Editor**
10 **Noteworthy**
10 **Success File**
12 **Practice Management Q&A**
14 **Money Management Q&A**
69 **New for You**
72 **Marketplace**

Picture credits: page 71

7 **Forecasts**
Purdue's undergraduate program in animal welfare; planning for retirement; and the effects of job stress.

16 **Tax Strategies**
Knowing your top tax bracket can help you make sound financial decisions—and save you money along the way.

20 **Personnel**
On rocky ground with your groomer? Dr. Marty Becker discusses how to build a smooth relationship.

80 **Bull's Eye**
Mixed animal practitioner Peter Ingraham isn't at all pleased about making late-night farm calls. Or is he?

MEMO FROM THE EDITOR

You tell me, please

Willy, my ferocious little kitty, tried to maim a veterinarian the other day. I'd taken him in for his shots, and while his mild-mannered sister Bear purred her way through her exam, he sat in his box, ready to kill.

Judging from the growls coming from his carrier, somebody was going to get bitten that day. I wasn't too excited about the prospects, and neither was the veterinarian. Willy, needless to say, was terrified. I suppose we could have wrestled him into place, scared the bejeezus out of the clients waiting outside, and bandaged up any bites. The doctor, however, said no.

The stress on Willy would be too much, she said; the risk to us, too great. Calling in a technician would spare me, but no one else. Her solution? A house call. A few days later, the doctor met Willy on his own turf. Hardly the tough guy he'd pretended to be, he now had a chance to prove that he can purr even louder than he can growl. The exam he got on the living-room floor seemed an awful lot like attention; not only did he like the doctor, I think he wanted to go home with her.

I probably shouldn't say this before I get the bill, but I don't care what the doctor charges. Willy doesn't care either; in fact, he'd probably give up eating *and* attention (for a day or so) to avoid being stuffed back into his carrier for another round of shots. As it turns out, he doesn't have to give up anything *or* even leave the house—and that's a break for all of us. I've never really liked the term "value-added service," but now at least I know what it means.

In this issue, you'll find a lot about confidence, fees, service, and client acceptance. I don't think I'm alone in wanting my veterinarian to tell me what's best. I'm also not alone in my willingness to pay for service that is so obviously beneficial to me, and to Willy and Bear. Of course, my dog, Cardozo, *loves* going to the doctor—all those friendly people, all those other dogs to sniff. Prancing around in public is Cardozo's greatest joy, which means he needs a different kind of service altogether. The good news is that from my veterinarian, he gets just what he needs.

Becky Turner

Rebecca R. Turner

veterinary economics

Editor: Rebecca R. Turner

Managing Editor: Catherine C. Lumetta

Assistant Editor: Renée Anderson

Design Director: Gregory B. Kindred

Art Director: Alison J. Fulton

Assistant Art Director: Mark E. Eisler

Special Assignments Editors:
Kathleen A. Cyr, Rebecca Gants

Practice Management Editor:
Ross Clark, DVM

Financial Editors:
Owen McCafferty, CPA, William J. Roll, CPA

Consulting Editor: Tracy L. Revoir, DVM

Editorial Assistant: Ruth Espy

Contributing Editors and Advisers:
Alan F. Berger, DVM
Daniel D. Chapel, AIA
Donald R. Dooley
David P. Gallagher
Harry James, DVM
E. John Knapp, AIA
David Lane, DVM
J.H Rosenberger, DVM
Sam E. Strahm, DVM
James F. Wilson, DVM, JD
Cynthia Wutchiett, CPA

National Sales Manager: Doug Catt

Eastern Account Manager: Jed Bean

Western Account Manager:
Terry Reilly

Inside Sales/Ad Production: Sue Weller

Ad Production Assistant: Sandy Hall

Advertising Assistant: Becky Lindblom

Circulation Manager: Helen McGraw

VMPCI

Vice President/General Manager:
Dennis M. McLaughlin

Controller/Business Manager: Cary Seem

Editorial and sales office:
9073 Lenexa Drive
Lenexa, KS 66215
(913) 492-4300

BPA ABP

VETERINARY ECONOMICS (ISSN0042-4862) is published monthly by Veterinary Medicine Publishing Co., 9073 Lenexa Drive, Lenexa, KS 66215. Telephone (913) 492-4300.

Copyright © 1991 by Veterinary Medicine Publishing Co. All rights reserved. None of the content of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means (electronic, mechanical, photocopying, recording, or otherwise) without the prior written permission of the publisher.

Printed in U.S.A. Price $6.00 a copy. $35 a year (U.S.A.). $50 a year (Canada and Mexico). $70 a year (foreign). Address correspondence to Veterinary Economics, 9073 Lenexa Drive, Lenexa, KS 66215. Second-class postage paid at Shawnee Mission, Kan. and additional entry offices. Postmaster: Send change of address notice to Veterinary Economics, 9073 Lenexa Drive, Lenexa, KS 66215.

Volume 32, Number 10

Medical Economics Publishing Co.

CHARGING HIGHER FEES WITH CONFIDENCE

This year, medical fees rose for all practitioner types. Why? According to consultant David Gallagher, "Veterinarians get tired of realizing they can't do what they want to do. One day, they finally say, 'We knock ourselves out, and we deserve to live the way we want to live, and to practice the way we want to practice, and the only way we're going to do that is to produce the revenue.' "

By John Lofflin

Crossing the threshold to higher fees takes time, Gallagher adds. In fact, it took the doctors in one of his client practices four years to significantly raise their fees. Starting in 1986, the doctors inched their fees upward: 4.1 percent in 1987, 6.53 percent in 1988, 7.04 percent in 1989, but only 2.9 percent in 1990. Gallagher tried not to nag, but he knew they should be charging more for the work they did.

At the close of 1990, the message finally sunk in: The practice made a 21-percent leap in fees. "They finally crossed the threshold," he says, "and accepted the belief that they're worth it. They bridged the gulf at the beginning of 1991, and they aggressively attacked their fees."

These doctors weren't alone. According to the 1991 VETERINARY ECONOMICS financial survey, almost all fees for veterinary procedures and drugs increased in 1991. Large animal practitioners led the charge, raising their average client transaction charge (ACT) for clinical procedures more than 40 percent. Mixed animal practitioners reported raising their clinical ACT more than 12 percent; small animal practitioners more than 9 percent; and equine practitioners more than 25 percent. (See the charts that begin on page 28.)

The economy plays a role

Consultant Dr. Tom Catanzaro offers another perspective. He says that the fee increases are probably reactions to economic conditions, rather than personal reevaluations of veterinary worth. Large animal doctors, he says, reacted to higher prices in the food animal sector; small animal practitioners reacted to the recessionary pressures felt by their clients.

"Clients are being more selective in accessing veterinary health care," Dr. Catanzaro says. "Even some of the good clients are opting, for instance, to waive dentistry." He adds that summertime gas-price increases in 1990 made clients in the Southeast edgy about obtaining extra veterinary care; when gas prices settled later in the year, war-related recession fears caused more problems. With fewer clients spending less money, Dr. Catanzaro reasons, practitioners had to raise their fees to stay ahead.

"The only way veterinary practices could make their overhead was to increase their fee schedules," he says. "Veterinary practices don't live on a high net, so when the economy takes away client flow and reduces the number of visits, the only way a veterinarian can make it up is in the average client transaction charge."

How's your ACT?

The VETERINARY ECONOMICS survey asks practitioners to give their ACT for clinical procedures and drugs, their ACT for merchandised products, and their total ACT. The question isn't more specific because, according to most consultants, no one formula for calculating the ACT makes sense for every practice. ▶

THE AUTHOR, a contributor to THE NEW YORK TIMES, teaches journalism at Park College, in Parkville, Mo.

FEES

WHY ARE PRODUCT FEES DOWN?

While the ACT for clinical procedures and drugs rose across the board, the ACT for merchandised products *fell* for all but equine doctors. Why the difference? Dr. Tom Catanzaro, Golden, Colo., thinks merchandising averages dropped mostly on paper—or computer disk—because veterinarians began recording them differently. "Cross-selling is the reason," he says. "Previously, merchandising fees were something the staff did, but now we're seeing practitioners wanting to sell everything at one time. So they're recording it into the average client transaction while the people are there. Veterinarians are simply more aware of their product lines and including them within the basic transaction."

Dr. Sam Strahm speculates that large animal practitioners are feeling competitive pressure to lower prices on merchandised products. Says the Pawhuska, Okla., practitioner: "There are just so many places out there to buy these products; when you're involved in selling them, you understand why veterinarians would lower their merchandise prices. The question is, do you sell a large quantity of product at a 10-percent markup, or nothing at a 20-percent markup?"

	Average client transaction fee for:			
Practice type	**Clinical procedures and drugs**		**Merchandised products**	
All DVMs	$43.00	+8.6%*	$15.70	−23%*
Small animal	$44.50	+9.3%	$14.20	−10.7%
Mixed animal	$32.90	+12.7%	$14.00	−14.1%
Large animal	$68.00	+40.8%	$35.00	−0.6%
Equine	$58.30	+25.6%	$20.30	+2.5%

*Percent change from 1990.
All figures are 1991 means (averages).

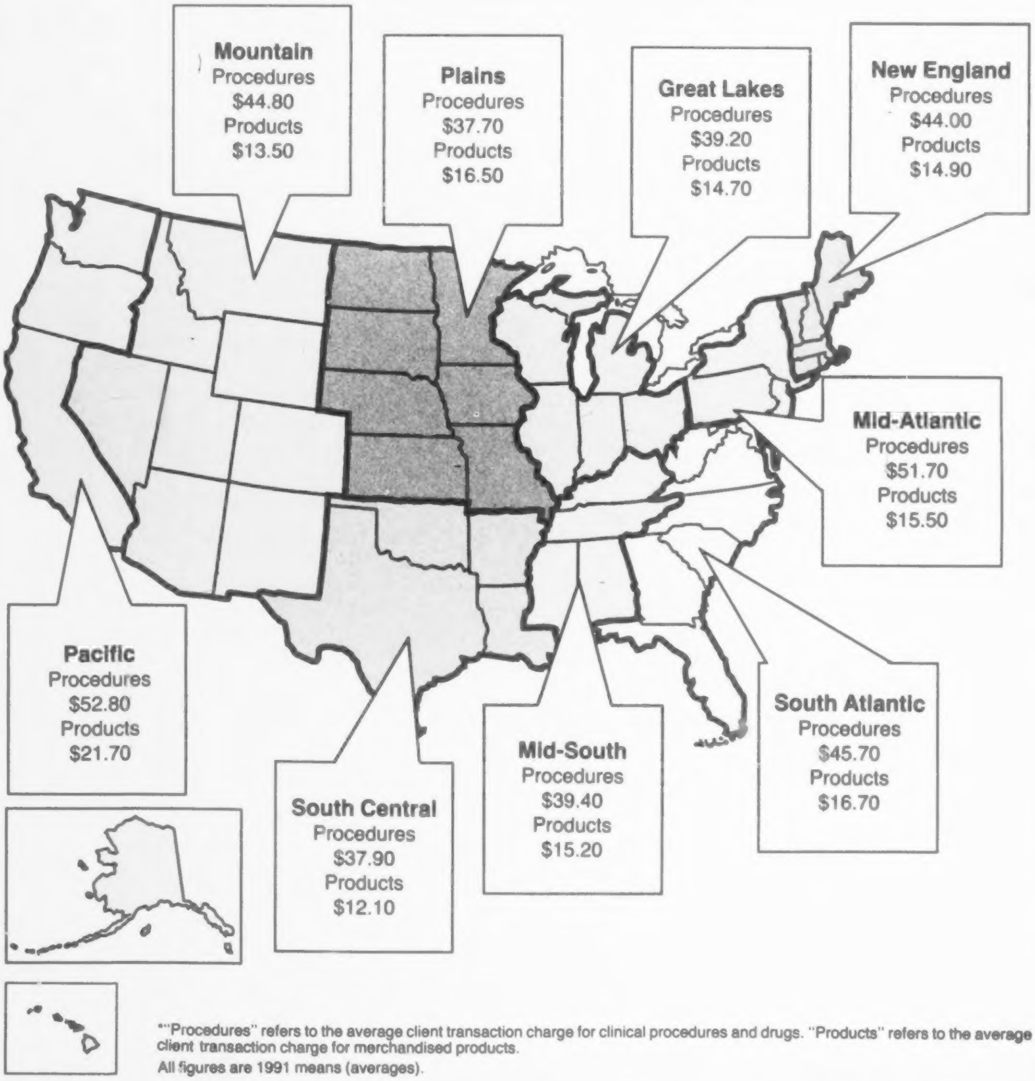
It is possible, however, to determine *averages*; the 1,200 doctors who responded to the survey report a total average client transaction charge, which includes clinical procedures, drugs, and merchandised products, of $54.90. That's a 17-percent increase over last year's figure of $46.90.

Although he feels that the figures are interesting and worthwhile, consultant Don Dooley warns against getting upset if your figures don't exactly match those provided by the survey respondents: "Comparisons to average figures outside the practice will either make veterinarians feel good when they probably shouldn't, or make them want to slit their wrists when they're actually doing well," he says.

Gallagher points out, however, that the ACT is still a valuable diagnostic tool *if you compute it exactly the same way each time.* When consistently computed, the ACT can be a tracking device for setting fees at the level you decide is appropriate for your practice and your livelihood. He explains the procedure:

1. Determine what you want to spend in each expense category, including your income, new equipment, continuing-education expense, and so on.
2. Calculate how much total revenue you need in the practice to meet these expenses.
3. Examine your activity levels and what your average transaction fee has been.
4. Based on the upward or downward trends in those activity

A REGIONAL LOOK AT CHARGES*



Mountain
Procedures
$44.80
Products
$13.50

Plains
Procedures
$37.70
Products
$16.50

Great Lakes
Procedures
$39.20
Products
$14.70

New England
Procedures
$44.00
Products
$14.90

Mid-Atlantic
Procedures
$51.70
Products
$15.50

Pacific
Procedures
$52.80
Products
$21.70

South Atlantic
Procedures
$45.70
Products
$16.70

Mid-South
Procedures
$39.40
Products
$15.20

South Central
Procedures
$37.90
Products
$12.10

*"Procedures" refers to the average client transaction charge for clinical procedures and drugs. "Products" refers to the average client transaction charge for merchandised products.

All figures are 1991 means (averages).

levels, project your activity levels for the coming year.

5. From these projections, divide the total number of anticipated client visits into the total revenue stream that's needed. "That will show you what the average transaction charge needs to be," Gallagher says.

6. Set your fees at a level that will produce the necessary revenue stream, given the volume of activity. Gallagher cautions, however, not to achieve the ACT level by simply raising fees a flat percentage across the board. Instead, he suggests you focus mostly on "the type of fees that don't attract attention." The process, he says, requires consistent fine-tuning.

For example, when you're ready to adjust your revenue stream, start with the extra dollars you'll need to bring your gross income up to the projected level. "Let's say you're projecting an increase of 200 client visits," Gallagher says. "Multiply last year's ACT by 200; that's the additional revenue you'll make with no change in fees. Subtract that figure from the amount of extra dollars you think you'll need. Now you know the actual amount you have to generate either by charging for services you're not charging for now, or by increasing fees for existing services," he says.

"Say you need an additional $30,000," he continues. "If you had 6,000 office calls last year, and you increase the fee for office calls by $1, you'll raise $6,000 of that $30,000. You can go through your fee schedule and identify the number of service episodes occurring in each line, then selectively raise fees with the confidence that the additional revenue will actually occur."

7. Finally, he says, monitor your ACT monthly, "tweaking" the charges up or down to meet your expectations.

KEEP PRICE RESISTANCE IN PERSPECTIVE

In the October 1988 issue of VETERINARY ECONOMICS, consultant David Gallagher said that in 15 years of working with veterinarians, *he had never seen a significant decline in volume after prices were increased.* Today, as he nears the end of his second decade as a consultant, he's still never seen a significant decrease in volume when other practice factors remained the same.

His conclusion? That veterinarians' fears about price shoppers are overblown. Practitioners, he says, tend to generalize from a few specific rejections, and thereby sense more price resistance than actually exists. If, for example, the receptionist tells the doctor that one client complained, or one phone shopper had a negative reaction, the doctor thinks the whole world is price-conscious.

Gallagher maintains that only a small percentage of the market for veterinary services consists of "shoppers," a segment most practitioners can do without. Selling veterinary services, he points out, isn't like selling a tangible product. Customers may shop for detergent and buy it where it's cheapest. But where veterinary care is concerned, they typically consider other factors; among them, convenience and perceived quality of care.

From math to mind

The process described above, Gallagher says, is the mechanical, mathematical side of the fee-raising process. The psychological side, however, isn't nearly as straightforward. He explains:

"What commonly happens is that veterinarians at first aren't willing to increase their fees to the extent necessary to achieve the revenue stream they need. Then from month to month, they see their actual results relative to their budgeted results, and realize that, because the revenue stream is not where it needs to be, they're unable to do the things they said they want to do.

"After a couple of years, I think they get psychologically tired of realizing they can't do what they want to do. One day they finally say, 'We knock ourselves out, and we deserve to live the way we want to live, and to practice the way we want to practice, and the only way we're going to do that is to produce the revenue.' "

Dooley, who is based in Los Gatos, Calif., is convinced the psychological resistance to raising fees is so strong that practitioners will cheat on the very fee schedules they so laboriously adjust.

"I don't think fee schedules have any significance or relevance to charges or income," Dooley argues. "A long time ago, I lost interest in the paperwork. Now, my interest has gone to the philosophical and psychological problems that are creating these situations in practices. If it were a mechanical problem, it would be easy to fix. I'm not anti-computer, but many people will go out and spend money on a computer and assume they've bought a machine that will fix their problem.

"Usually, their problem is philosophical, and you can't fix a philosophical problem with a machine. As soon as they get the computer and discover you can lie to it, and it doesn't hit you, they go ahead and lie to it."

Those lies, he contends, stem from a practitioner's preconceived notion of the worth or cost of a specific procedure or office visit. "I've literally seen a practitioner sit down at the computer and force a charge on a surgical procedure," Dooley explains. "He wants the total charge to be $150; $50 of that was surgery, $35 was anesthesia, $45 was lab work. So he's got $20 left to cover two injections, take-home medication, the hospital stay, and the office visit. So he charges for the office visit and just doesn't tell the computer he did all those other things."

A partial solution, he says, is for another staff member to enter the charges based on the doctor's medical chart. Doing so, however, is only effective if someone else gives the estimate before the procedure. Dooley says that practitioners are just as likely to discount upfront as they are later on.

"I had a veterinarian one time whose shaved estimates and shaved fees were costing him a lot of money," Dooley says. "He said, 'I can't stand rejection. Just the thought of somebody yelling at me would shatter me for weeks.' I told him I could document that his policy of shaving fees was costing him about $50,000 a year. 'Wouldn't that be worth taking a chance of being rejected?' I asked, and he said, 'Absolutely not; if it's only costing me $50,000 a year, it's worth every penny.' "

Dooley also recounts the story of a veterinarian who told him that she wants her clients "to be my friends." "After two years in practice, she is working herself very hard, and she hasn't broken even yet. I asked her about her fees, and she handed me a year-old schedule. She told me the injection fee was about $12, but the fee schedule quoted $16."

For a higher average client transaction charge, Dooley's advice is to "tighten up" by charging for everything you do, rather than by simply increasing your fees. Just tell the client "my accountant says I've got to charge for everything," he suggests. ►

FEES

MOST DVMs CHARGE $50 OR MORE

Half of the 1,200 survey respondents fall at the high end of the average-client-transaction-charge scale.

Total average transaction charge*	Percent of veterinarians
Less than $20	2.3%
$20-$29	6.7%
$30-$39	17.3%
$40-$49	23.7%
$50 or more	50.1%

Mean charge: $55

*Includes clinical procedures, drugs, and merchandised products.

Veterinarians don't realize that practice inflation marches on at 12 percent a year.

Proaction, not reaction

Dr. Catanzaro, whose consulting firm is based in Golden, Colo., sees three ways to boost the ACT:

1. Adjust drug and other supply charges monthly, using the replacement cost rather than the procurement cost.
2. For items and services you prefer to discount or give away, indicate their full value on the invoice anyway, so that the client is *aware* of that value.
3. Adopt an approach to fees and services that emphasizes value.

He explains: "Actually, I think practitioners are getting better at setting fees. The better practices are pricing their markup based on the replacement price, not procurement price. When they buy a two-month's supply and get a bargain on it, they don't price it two times the purchase price; they look at the projected replacement price and go two times that.

"We're also seeing veterinarians start charging for things they've been giving away. They're finally figuring out that autoclave and surgery packs cost money, as do support functions in the pharmacy. We know that baths cost money. So now, when animals leave boarding, we assess a 'half-price' fee for a bath—and it's not an option. What that really means is that I used to do it for free and now I'm going to charge for it. Charging 'half price' gives the client a value-added statement."

Communication is the key to making a value-added approach work, he says, because the entire concept is dependent on client perceptions. You can charge more for a service if clients perceive that they are getting more for their money.

"We take for granted that clients know what we do for them, when they really don't have the foggiest," Dr. Catanzaro says. "Letting the client know what we're doing is really essential to their perception of value. In the value-added approach, you break down programs —geriatric programs, for instance. We know that these older animals need an X-ray, ECGs, and laboratory baseline profiles.

"So we offer the client these things by saying, 'Do you want to do them all today? Do you want to do them every week? Every two weeks? Once a month? Once a quarter?' We give them the options on how to spread out the program, not whether to access the care. We know they don't have a lot of money in their pockets at one time."

Elation and inflation

Dr. Gerry Snyder's reaction to the news that practitioners have raised their fees: "Thank God." One reason the Pompano Beach, Fla., small animal practitioner and practice consultant is so thankful, he explains, is because veterinarians often don't realize how high inflation is in their profession. They would, he says, if they examined their expenses more often.

"Veterinarians should realize that expenses are not events that occur quarterly, monthly, or annually according to the profit-and-loss statement," he says. "They're ongoing, continual, and ever-increasing. The average inflation rate at a veterinary hospital is 12 percent." Compute the inflation rate for yourself, he suggests, by comparing the percentage of gross income you spent this year on the cost of doing business with the percentage you spent last year.

"It makes no sense to listen to the newspapers or the radio about what inflation is for your car dealer, or the bakery, or the fish market," he says. "You don't sell those items. Inflation marches on at about 12 percent nationally for veterinarians, and a 1-percent ACT increase per month should just about cover it."

Like Gallagher, Dr. Snyder argues for a selective adjustment of fees to avoid unacceptable increases in "shopped items." He suggests professional help from your accountant, adding that too many veterinarians don't even ask their accountants to help them selectively raise fees to reach a specific ACT level. "If our accountants never hear us ask for any further services, they assume that the minimal services they are providing are more than enough to compensate for their monthly stipend," he says.

Raising fees eight-tenths of 1

SMALL ANIMAL PRACTITIONERS' FEES

	Fee	Percent change[1]
Total average client transaction fee[2]	$54.90	1.9%
Office call (includes exam)	$20.80	3.5%
Lab analysis:		
Urinalysis	$16.80	26.3%
Fecal	$9.40	5.6%
Serum chemistry profile	$34.10	−2.8%
CBC	$18.20	1.1%
Heartworm test	$15.10	−2.6%
Feline leukemia test	$21.60	0.9%
Vaccinations:		
Dog	$30.80	7.3%
Cat	$29.30	6.2%
Fee for procaine penicillin G injection:		
30-lb dog	$11.10	11%
8-lb cat	$10.00	3.1%
Hospitalization (including daily exam and boarding):		
30-lb dog	$20.10	4.7%
8-lb cat	$18.30	4%

	Fee	Percent change[1]
Daily boarding:		
30-lb dog	$9.60	14.3%
8-lb cat	$7.80	13%
Ovariohysterectomy (inc. anesthesia and hosp.):		
30-lb dog	$80.80	4.3%
8-lb cat	$63.90	5.3%
Diagnostic X-ray series (including sedation):		
2 or fewer films	$54.60	−0.5%
3-6 films	$87.70	2.1%
Procedures and treatments:		
Heartworm treatment	$182.80	−6.9%
Dental scaling (dog, no extractions)	$57.30	8.3%
Dental scaling (cat, no extractions)	$56.20	**
Deworm 30-lb dog	$14.60	15%
Deworm 8-lb cat	$11.70	20.6%

[1] Percent increase or decrease from 1990 figures.

[2] Includes clinical procedures, drugs, and merchandised products.

**Not available.

All figures are 1991 means (averages).

WHAT DOES IT ACTUALLY COST TO DO A SPAY?

By Gordon W. Robinson, VMD

Many well-intentioned humane societies and animal protection/rights groups think that veterinarians can and should perform spays for $35 to $45. The problem, however, is that no practice can perform a safe, sterile abdominal operation for that amount.

The following is the itemized cost of performing a spay at the Bergh Memorial Animal Hospital (BMAH) of the ASPCA, a not-for-profit humane society veterinary hospital in New York City. The BMAH charges considerably less than cost for animals under five years—$50 for a cat spay and $60 for a dog spay. We emphasize that it is a *subsidized birth-control program*, not a low-cost surgery program. The fee to spay an animal more than 5 years old is two to three times the subsidized fee.

The cost for a private practitioner would be considerably higher, because the non-profit, tax-exempt BMAH doesn't pay real-estate tax or corporate income tax, nor is equipment cost, mortgage cost, or return on investment factored into the cost.

The author is the hospital director of the Bergh Memorial Animal Hospital in New York City.

	Cat	Dog
1. Clerical time:		
Telephone time (information, make appt.)	15 min	15 min
Admit (register client, retrieve record)	15 min	15 min
Discharge (collect fee, prepare spay certificate, file record)	15 min	15 min
Stitch removal (make appt., retrieve and refile record)	15 min	15 min
Total clerical time	60 min	60 min
Total clerical cost (based on $8/hour):	$8.00	$8.00
2. Veterinarian's time:		
Pre-admission clinical examination	15 min	15 min
Anesthetizing	5 min	10 min
Surgery	30 min	45 min
Post-operative care, treatment, telephone calls, etc.	15 min	15 min
Check-up and examination upon discharge	10 min	10 min
Re-examination and suture removal	5 min	5 min
Cost based on the average salaries of staff veterinarians: $22/hr, or 37 cents/minute	$29.60	$37.00

	Cat	Dog
3. Surgery technician's time:		
Record-keeping	10 min	10 min
Animal anesthesia/surgical prep	15 min	30 min
Surgical material preparation (laundry, prep of packs, autoclaving, etc.)	15 min	30 min
Cost based on $10/hr, or 17 cents/minute	$6.80	$11.70
4. Hospital technician's time:		
Admit, feed, clean cage, discharge	60 min	60 min
Cost based on $8/hr	$8.00	$8.00
5. Cost of anesthetic materials:	$4.00	$8.00
6. Cost of other materials: (injectables, gauze, sutures, surgical soaps, germicide, drapes, caps, masks, gowns, gloves, etc.)	$6.00	$9.00
7. Cost of feeding and bedding:	$2.00	$3.00
Total labor and material costs	**$64.40**	**$84.70**
8. Overhead cost at 30% (employee benefits, utilities, maintenance, insurance, record systems, accounting, purchasing, payroll, inventory, etc.)	**$19.32**	**$25.41**

TOTAL COST PER ANIMAL: CAT = $83.72 DOG = $110.11

percent each month rather than 10 percent each year has a positive side effect, Dr. Snyder says. "After a half-dozen of these small incremental increases, the veterinarians give up, and when a client asks what a procedure costs, they reach for the fee schedule to find out the answer to the question," he says with a wry chuckle.

"That reinforces the idea that the doctor is a doctor and really doesn't know what the fees are. The client thinks, 'He doesn't know the price, but he's nice enough to look it up for me. If he doesn't know what the fees are, he must have nothing to do with setting them.' And that is exactly what we want the client to perceive."

Editor's note: All of the "fees" charts in this article are based on VETERINARY ECONOMICS' *1991 financial survey of the veterinary profession. For information on how the survey was conducted, see the September issue, page 33.* ■

FEES

EQUINE PRACTITIONERS' FEES

	Fee	Percent change[1]
Total average client transaction fee[2]	$71.30	15.9%
Office call (includes exam)	$25.40	7.2%
Lab analysis:		
Coggins test	$17.50	−3.8%
Fecal	$9.70	16.9%
CBC	$17.70	−4.8%
Vaccination	$21.60	−8.1%
Farm call:		
Mileage charge (cents per mile)	$0.85	−15%
Exam charge per animal	$17.90	4.7%
Average total charge per animal[3]	$57.50	29.8%
Radiography:		
Two views	$37.00	5.1%
Navicular series (per foot)	$58.00	3.2%

	Fee	Percent change[1]
Hospitalization (including daily exam and boarding)	$21.70	−6.9%
Fertility workup (female)	$89.30	9.6%
Breeding soundness exam (male)	$128.70	7.2%
Lameness exam	$35.30	6.6%
Procedures and treatments:		
Deworming (one time)	$16.40	−2.4%
Castration	$109.30	4.3%
Float teeth	$24.40	−3.6%
Suture skin laceration (per half hour)	$54.30	−5.2%
Intensive neonatal care (one-day)	$179.50	46.3%
Medical treatment for colic (exc. exam)	$70.30	−0.6%

[1] Percent increase or decrease from 1990 figures.
[2] Includes clinical procedures, drugs, and merchandised products.
[3] Includes all medical work performed.
All figures are 1991 means (averages).

PHASING OUT THE "ACT" IN LARGE ANIMAL PRACTICE

Large animal practices took the lead in fee increases this year, but these top practitioner/consultants say that the average client transaction charge (ACT) no longer makes sense for their practices. Here's why.

By John Lofflin

Dr. Sam Strahm practices at the southern edge of the Kansas Flint Hills in Pawhuska, Okla. He says he can keep better track of his large animal practice's productivity with hourly fees than with an ACT, but even the hours fail to accurately measure the difference, say, between working a herd of cattle and working a herd of buffalo.

Dr. Jenks Britt operates a dairy practice in western Kentucky. His practice, like most others in the area, uses either an hourly fee, a retainer fee, or a herd health program, none of which, he says, computes to an ACT.

"We're doing management medicine or production medicine today," he says. "We've found that we have to be more than just sick-animal specialists. To justify the fees we charge, we have to be interested in the client's economics. We have to understand nutrition; we have to understand the mastitis and milking equipment; and we have to understand general dairy management.

"Probably 75 percent of dairy practitioners are offering some program in production management. It might be only reproductive management, but most progressive dairy practitioners are now trying to offer the total package."

Dr. Britt explains that a sophisticated herd management program tracks its own success, and justifies in black and white the value the practitioner adds to the farmer's operation. "We might go to a farm and do reproductive management, and at the same time do a milking-machine evaluation, or at least check pulsators and air flow from the vacuum controller standpoint.

"We also might dehorn and vaccinate the replacement heifers due to be done that month, and then go to the house or to the farm office and work on rations or nutrition for 30 minutes. And most practitioners are doing what we call herd monitoring, which is simply sitting down and looking at the production records and the economics of production on the farm. We then generate graphs and reports either by hand or by computer so that both the practitioner and the producer have a history of where the farm has been and a prediction for where it is going."

The total service package, Dr. Britt contends, is one reason dairy practitioners have been able to increase their fees significantly in recent years. The question is, what will happen now that milk prices have plummeted as much as 35 percent?

Dr. Britt speculates that both veterinarians and clients will have to pay more attention to economics. "I think all dairy practitioners will lose some clients this year, because some dairy farms are bound to go out of business," he says. "But what we usually find is that as clients go out, we end up doing more work for the clients we have left. We find we're billing more hours. We try to do as much work as we can on a farm per visit."

"Raising fees is a difficult question to approach, but first you have to evaluate what you're doing against other professions," he continues. "It's not unusual for a tractor mechanic to get $30 per hour—and that's billed from the time he leaves his shop until he gets back. I think we have to charge a fair fee, but we also have to give the client

---

THE AUTHOR, a contributor to THE NEW YORK TIMES, teaches journalism at Park College, Parkville, Mo.

LARGE ANIMAL PRACTITIONERS' FEES

	Fee	Percent change[1]
Total average client transaction fee[2]	$95.40	24.2%
Office call (includes exam)	$18.00	−2.2%
Fecal	$8.80	57.1%
Vaccinations:		
Beef cow	$6.40	88.2%
Dairy cow	$5.30	39.5%
Feedlot steer	$5.00	35.1%
Calf	$3.90	11.4%
Farm call:		
Mileage charge (cents per mile)	$0.91	−9%
Exam charge per animal	$14.50	59.3%
Average total charge per animal[3]	$30.40	39.4%
Consultation fee	$41.60	−13.2%

	Fee	Percent change[1]
Procedures and treatments:		
Mastitis treatment	$31.40	28.7%
Breeding soundness exam	$47.50	87%
Calf scours treatment	$19.60	0%
Deworming (one time)	$6.90	7.8%
Castration	$26.90	133.9%
C-section	$153.60	3.7%
Milk-fever treatment	$35.20	12.8%
Rectal palpation	$4.50	−4.3%

[1] Percent increase or decrease from 1990 figures.

[2] Includes clinical procedures, drugs, and merchandised products.

[3] Includes all medical work performed.

All figures are 1991 means (averages).

something to make that fee worthwhile."

Setting fees, Dr. Britt says, depends heavily on where you practice. Veterinarians in California, Arizona, New Mexico, and Texas, he says, deal with large dairies that handle many cows, so they tend to command higher fees than in the Midwest or South.

Travel costs make a difference too, especially for those practicing in less-concentrated dairy areas. For example, Dr. Britt says that in Wisconsin or Minnesota, a practitioner might not travel more than 10 miles one way; he, however, often travels as many as 300 miles into four states to see a herd. A California practitioner might travel 20 miles, but deal with six herds of 2,000 cows each.

If you charge it, they will pay

Does the economy make a difference in how much clients are willing to pay their veterinarians? Yes, says Dr. Strahm—good times spur good prices. "When the survey was taken, the dairy industry was great, the swine industry was booming, cattle prices were going tremendously," he says. "Producers will increase their use of services when veterinary medicine can make that little extra difference; they don't mind spending a dollar when they can get a reasonable return.

"I think we food animal practitioners went through those low-fee doldrums when our pride was

MANAGE YOUR PRACTICE WITH A CHART OF ACCOUNTS

By William J. Roll, CPA

Have you ever wondered how some of your colleagues can be so precise about their income and expenses? How do they know that 5 percent of their annual income comes from grooming, 5 percent from dentistry, 10 percent from food sales, and 25 percent from surgery? The answer lies in their chart of accounts.

Such a chart of accounts not only provides a detailed look at where your practice is, it can be used to steer your practice in the direction you want it to go. In fact, a good chart of accounts produces the information you need to make sound business decisions. Here's an example:

Let's say Dr. Jones, who owns a one-doctor mixed animal practice, grosses $285,000 a year. His chart of accounts consists of one income category: "Fees." He charges all of his income to fees, and splits his time 50-50 between large animal and small animal work. If Dr. Jones took a closer look at the $285,000, however, he would find that 70 percent, or $200,000, comes from small animal work, and 30 percent, or $85,000, from large animal. With this information, he might decide to raise his large animal fees, or phase out this work and concentrate on practicing only small animal medicine.

Now let's move to the State of the Art Hospital Inc., a four-doctor practice grossing $1.1 million. The veterinarians here record fees by the type of service, by the doctor who performed the service, and by the direct cost associated with the service. Their detailed chart of accounts, complete with coded categories, keeps track of each doctor's productivity, and of which services contribute most to the hospital's profits.

Of course, at the State of the Art Hospital, a computer and part-time computer operator are necessary to input the codes. Dr. Jones wouldn't require such detail; his chart of accounts could probably be maintained without a computer if his bookkeeper manually summarized each day's receipts into major income categories.

To establish a chart of accounts for your practice, talk to your accountant. Also contact AAHA, which provides a detailed chart of accounts for veterinary practices. For more information, call AAHA's Member Service Center, (800) 252-2242.

The author is a consultant and accountant in Sunbury, Pa., and a contributing financial editor.

FEES

MIXED ANIMAL PRACTITIONERS' FEES

	Fee	Percent change[1]
Total average client transaction fee[2]	$44.70	−4.7%
Office call (includes exam)	$15.00	0.7%
Lab analysis:		
Urinalysis	$10.20	**
Fecal	$7.60	18.8%
Heartworm test	$12.20	**
Feline leukemia test	$16.60	**
Vaccinations:		
Dog	$21.60	−1.8%
Cat	$20.00	1.5%
Horse	$19.70	−3.9%
Livestock	$8.20	82.2%
Farm call:		
Mileage charge (cents per mile)	$0.95	−5%
Exam charge per animal	$15.20	35.7%
Average total charge per animal[3]	$37.80	24.3%

	Fee	Percent change[1]
Hospitalization (including daily exam and boarding):		
30-lb dog	$12.70	30.9%
8-lb cat	$14.30	68.2%
Bovine	$10.30	−1.9%
Equine	$15.70	34.2%
Daily boarding:		
30-lb dog	$6.70	11.7%
8-lb cat	$5.80	18.4%
Ovariohysterectomy (inc. anesthesia and hosp.):		
30-lb dog	$61.80	5.6%
8-lb cat	$48.60	5%
Diagnostic X-ray series (including sedation:)		
2 or fewer films	$38.30	−2%
3–6 films	$65.00	11.7%

[1] Percent increase or decrease from 1990 figures.

[2] Includes clinical procedures, drugs, and merchandised products.

[3] Includes all medical work performed.

All figures are 1991 means (averages).

**Not available.

low. When we finally saw we were our own worst enemies, we realized the need to charge a fee that fit the service we rendered. It's a slow process getting into the situation where you can charge what you're worth. I think the public thinks more of us sometimes than we think of ourselves. The limitations are within us, in many instances," he says.

"To be honest," Dr. Strahm continues, "I've had a lot more people respond that they thought my fee would be more than it was than have responded the other way. That's scary. That means you ought to be pinching yourself."

Dr. Strahm says that large animal practitioners must be sensitive to their industry and the economy in their area. He doesn't recommend, however, that you roll back fees when beef or dairy prices go flat. "In this part of Oklahoma, our economy has been terrible for a long time," he says. "Beef prices were good until about two weeks ago, but that didn't mean beef producers were making any money."

In order to remain in control, Dr. Strahm recommends that practitioners evaluate their fees at least twice a year. "With computers, you can get that information very quickly," he says. "You just need to see where the pattern's going and be ready to respond when it's necessary."

As an extra tactic to protect his accounts receivable, Dr. Britt instituted an incentive program for clients. Those who pay on the day the service is rendered get a 5-percent discount. A client can achieve as much as a 20-percent discount by buying medications in volume and paying on the day of service.

Billable hours

What's the most important statistic for tracking productivity? Dr. Britt says it's billable hours. "We're much more profitable to our practice and to the farmer if we spend two or three hours per farm on three farms a day rather than trying to make 15 calls and spending 20 minutes on each farm," he says.

Dr. Britt adds that it's important to charge for *all* of these hours. "Most of us put in eight to 15 hours a day, but many of us are not billing for the amount of time we spend driving, or for doing work at the office." If too many hours are slipping through the cracks, he adds, it's time to be more specific about itemizing what you do and charging for it.

"In our practice, we bill for all computer time at the office, for phone consults, and we try to collect some type of fee any time we're dealing with the client except for a casual conversation," he says. "That's the only way we can make a living, and we've met no resistance to it at all."

Editor's note: All of the "fees" charts published in this article are based on VETERINARY ECONOMICS' *1991 financial survey of the veterinary profession. For information on how the survey was conducted, see the September issue, page 33.* ■

Food Animal Surgery
2nd Edition

Dr. John L. Noordsy

This recently published second edition provides practical information on the most commonly performed surgical procedures in food animal medicine. Entire procedures are described step by step, from choosing the right restraint method to giving the proper post-surgical care.

The outline format of this popular reference allows quick retrieval of information, and the spiral binding makes the book convenient to use in the field or at the clinic. Both practitioners and veterinary students will find this "cookbook of surgical recipes" useful. Illus., 296 pages, softcover.

Send me ______ copy(ies) of **Food Animal Surgery** at $39.95 each plus postage and handling.*

Name ______________________
Address ______________________
City ______________________
State ______________ Zip ____________
Telephone no. ______________________
Signature ______________________
Check ☐ Visa ☐ MasterCard ☐
Account no. ______________________
Expiration date ______________________

***Postage and handling is $3 for one book and $1 for each additional book. Kansas residents add 5.85% sales tax.**

Please return this order form to:
Veterinary Medicine Publishing Co.
9073 Lenexa Drive
Lenexa, KS 66215